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Oregon Individual Income Tax Guide

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Publication 17½, Oregon Individual Income Tax Guide, supplements information in the Oregon income tax instruction booklet and the Internal Revenue Service publication, ***Your Federal Income Tax For Individuals, Publication 17.***

This publication is a guide for tax professionals. It is not a complete statement of Oregon laws and rules. There may have been law or rule changes after this publication was printed. If you are a professional tax practitioner, you should refer to the Oregon Revised Statutes (ORS) and Oregon Administrative Rules (OAR). These are available online at www.oregon.gov/dor.

Forms and publications

For tax forms and publications online, visit www.oregon.gov/dor/forms. You may also order forms and publications by writing to:

Forms
Oregon Department of Revenue
PO Box 14999
Salem OR 97309-0990

Practitioner assistance

Tax professionals can email us for assistance. **Please research your question before contacting us.** We can assist you with Oregon income tax law and policy questions only. We will not prepare returns or make computations. We cannot provide or discuss specific taxpayer information and we won't open attachments (*.txt files are accepted).

The practitioner email address for personal and partnership income tax questions is prac.revenue@state.or.us. Please include your question, name, business name, and telephone number with area code in your email. We will respond within three business days. You can also use the following email addresses:

- Corporate income or excise tax, corp.help.dor@state.or.us;
- Corporate minimum tax, minimum.tax.help@state.or.us;
- Payroll and business taxes, payroll.help.dor@state.or.us;
- Inheritance/estate tax, estate.help.dor@state.or.us

"Revenews" practitioner listserv

The "Revenews" listserv is a quick and efficient way for us to pass information to professional tax preparers. To subscribe, go to: www.oregon.gov/dor/preparers then on the left navigation bar, click on "Revenews." Once you have subscribed, you will automatically receive department messages. You are on the list until you unsubscribe. This is not a question-and-answer list. Do not reply to a "Revenews" email. Please see the information above on practitioner email if you have technical questions, or see below for specific taxpayer questions.

Oregon Revenue Bulletin (ORB)

We periodically issue ORBs to provide general information concerning a variety of tax topics in simple and straightforward language. ORBs don't replace competent legal or accounting advice, don't have the force of law, and aren't binding. To review these bulletins, visit www.oregon.gov/dor, then on the right navigation bar, hover your cursor over "Sign up for alerts," then click on "Oregon Revenue Bulletins (ORBs)."

Taxpayer assistance

General tax information .....www.oregon.gov/dor
Salem 503-378-4988
Toll-free from Oregon prefix 1-800-356-4222

Asistencia en español:
Salem 503-378-4988
Gratis de prefijo de Oregon 1-800-356-4222

TTY (hearing or speech impaired; machine only):
Salem 503-945-8617
Toll-free from Oregon prefix 1-800-886-7204

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

Contents

Federal tax law ... 8
New information ... 8
Important reminders ... 8

GENERAL INFORMATION

Oregon statute of limitations on refunds ... 10
Interest ... 10
Penalties ... 12
Extensions of time to file ... 13
Amended returns ... 13
Injured spouse/RDP refund claims ... 14
Electronic filing for Oregon ... 14
2-D barcode filing for Oregon ... 14
Tax payment options ... 15
Direct deposit of refund ... 15
Refund processing ... 16
Residency ... 16
Registered domestic partners in Oregon ... 18
What form to file ... 19
Filing status ... 19
Special instructions for married filers with different residency statuses ... 21
Filing requirements ... 22
Individual Taxpayer Identification Number ... 24
Military personnel filing information ... 24
Limited liability companies ... 28
Composite tax returns ... 28
Pass-through entity owner payments ... 28
Real estate tax payments ... 28
Appeal procedures ... 28
Record-keeping requirements ... 33
What to do if you are audited ... 34
Filing a return after tax has been assessed ... 35
Why Oregon needs a federal return ... 37

INCOME

Air carrier employees ... 38
Alimony received ... 38
Business income or loss ... 39
Gain, loss, and distributions ... 39
Hydroelectric dam workers ... 39
Interest and dividend income ... 39
Interstate Transportation Wages (Amtrak Act) ... 40
IRA distributions ... 42
Property, like-kind exchange or conversion ... 42
Rents, royalties, partnerships, estates, trusts, farms, etc., from federal Schedule E and F ... 42
Retirement income ... 42
Social Security and Railroad Retirement Board benefits ... 43
State and local income tax refunds ... 43
Unemployment compensation and other taxable income ... 43
Wages, salaries, and other pay for work ... 43
Waterway workers ... 44

ADJUSTMENTS TO INCOME

Alimony paid ... 45
Certain business expenses of reservists ... 45
Educator expenses ... 45
Fee-basis government officials ... 45
Health Savings Account deduction ... 45
Interest penalty on early withdrawal of savings ... 46
IRA or self-employed SEP and SIMPLE contributions ... 46
Moving expenses ... 46
Performing artists ... 47
Self-employed health insurance ... 47
Self-employment tax ... 47
Student loan interest ... 47
Tuition and fees ... 47

ADDITIONS

Accumulation distribution from a trust ... 49
Alternative fuel vehicle fund ... 49
Child Care Fund contributions ... 49
Claim of right income repayments ... 49
Depletion ... 49
Discharge of indebtedness from reacquisition of debt instrument ... 50
Disposition of inherited Oregon farmland or forestland ... 50
Federal election on interest and dividends of a minor child ... 50
Federal estate tax ... 51
Federal income tax refunds ... 51
Gambling losses claimed as an itemized deduction ... 52
Income taxes paid to another state ... 52
Individual Development Account ... 53
Interest and dividends on government bonds of other states ... 53
Long-term care insurance premiums, federal deduction ... 53
Lump-sum distributions ... 54
Oregon 529 College Savings Network ... 55
Oregon Cultural Trust contributions ... 55
Oregon Production Investment fund ... 55
Renewable energy development contribution ... 55
Self-employed health insurance deduction ... 55
Unused business credits ... 56
University venture development fund contributions ... 56

SUBTRACTIONS

American Indian ... 57
Artist's charitable contribution ... 57
Capital construction fund ... 58
Construction worker and logger commuting expenses ... 58
Conversions and exchanged property ... 59
DISC dividend payments ... 59
Discharge of indebtedness from reacquisition of a debt instrument ... 59
Federal income tax liability ... 59

Federal tax worksheet ... 60
Federal pension income ... 61
Federal tax credits ... 63
Foreign income tax ... 63
Income from a composite return ... 63
Individual Development Account ... 64
Interest and dividends on U.S. bonds and notes ... 64
Land donations to educational institutions carryforward ... 65
Local government bond interest ... 65
Lottery winnings ... 65
Mobile home park capital gain exclusion ... 66
Mobile home park payments ... 66
Mortgage interest credit ... 66
Oregon 529 College Savings Network ... 66
Oregon income tax refund ... 67
Oregon Investment Advantage ... 67
Previously taxed employee retirement plans ... 68
Previously taxed IRA conversions ... 68
Public Safety Memorial Fund Awards ... 68
Railroad Retirement Board benefits ... 69
Scholarship awards used for housing expenses ... 69
Severance pay ... 69
Social Security benefits ... 69
Special Oregon medical ... 69
Taxable benefits for former RDPs ... 73
Tuition and fees ... 73
U.S. government interest in IRA or Keogh distribution ... 74

OTHER ITEMS

Net operating losses (NOLs) for Oregon ... 75
Depreciation and amortization ... 78
Partnership and S corporation modifications for Oregon and Business tax credits from flow-through entity ... 79
Basis of business assets transferred into Oregon ... 79
Sale of assets ... 80
Gain on the sale of an Oregon residence ... 80
Fiduciary adjustment ... 80
Passive activity losses ... 81
Individual Development Accounts ... 82
Oregon percentage ... 82
Deductions and modifications ... 83
Limit on itemized deductions ... 83
Oregon tax ... 86
Farm liquidation long-term capital gain tax rate ... 86
Farm income averaging ... 87

CREDITS

Agricultural workforce housing ... 89
Alternative fuel vehicle fund ... 90
Biomass production/collection ... 90
Business energy ... 91
Child and dependent care ... 91
Child Care Fund contribution ... 92
Claim of right income repayment ... 93
Crop donation carryforward ... 93
Diesel engine replacement carryforward ... 93
Diesel engine repower or retrofit carryforward ... 93
Earned income ... 93
Elderly or disabled ... 93
Electronic commerce zone investment ... 94
Employer provided dependent care assistance ... 94
Employer scholarship ... 95
Energy Conservation Project ... 95
Exemption ... 96
Fish screening devices ... 97
Income taxes paid to another state ... 97
Individual Development Account ... 101
Involuntary move of a mobile home carryforward ... 101
Long-term care insurance premiums ... 101
Loss of use of limbs ... 101
Low-income caregiver ... 102
Mobile home park closure ... 102
Mutually taxed gain on sale of residential property ... 103
Oregon Cultural Trust contributions ... 103
Oregon low income community jobs initiative ... 103
Oregon Production Investment Fund ... 104
Oregon Veterans' Home ... 104
Political contributions ... 104
Pollution control facilities ... 105
Reforestation carryforward ... 106
Renewable energy development contribution ... 106
Renewable energy resource equipment manufacturing facility ... 106
Reservation enterprise zone ... 107
Residential energy ... 107
Retirement income ... 108
Riparian land carryforward ... 109
Rural emergency medical technicians ... 109
Rural health practitioners ... 110
Transportation projects ... 110
University venture development fund contributions ... 110
Wolf depredation ... 111
Working family child care ... 111

INTEREST ON UNDERPAYMENT OF ESTIMATED TAX

Who must pay ... 115
Figure your required annual payment ... 115
Figure your required installment payment ... 115
Exceptions to paying interest on an underpayment of estimated tax ... 115

ESTIMATED TAX

Who must pay ... 116
Farmers and commercial fishermen ... 116
Nonresidents and part-year residents ... 116
Retirees ... 116
Nonresident aliens ... 116
Fiduciaries ... 116

ELDERLY RENTAL ASSISTANCE

Important information ... 117

Qualifications 117

APPENDIX

Household Income Checklist 119
Working Family Child Care Credit Tables..... 122
Standard Numeric Codes for Oregon Other Additions, Subtractions, Deductions, Modifications, and Credits 124
Index 128
Mailing addresses..... 133
Miscellaneous Oregon Income Tax Information 2010-2013..... Back cover

Federal tax law

No extension to pay. Oregon does not allow an extension of time to pay your tax, even if the IRS is allowing an extension. Your 2013 Oregon tax is due April 15, 2014.

Federal law connection. Oregon is tied to **January 3, 2013** federal income tax laws. Oregon has a rolling tie to federal changes made to the definition of taxable income.*

** There are two exceptions to the rolling tie:*

- IRC section 139A for Federal Subsidies for Prescription Drug Plans,
- IRC section 199 for Income Attributable to Domestic Production Activities, also known as Qualified Production Activity Income (QPAI).

Income under these sections is specifically exempt from tax on the federal return. If you have any of these types of income, you will have an addition on your Oregon tax return.

New information

Federal tax liability subtraction. The federal tax subtraction limit is $6,250 for 2013 and may be limited further based on adjusted gross income (AGI). See page 59.

Exemption credit. The exemption credit has changed. It is no longer allowed if your federal adjusted gross income exceeds the income threshold for your filing status.* Please see page 96 for more details.

Oregon 529 College Savings Network. Contribution limits have increased. See page 66.

Special Oregon medical deduction. The special Oregon medical deduction is no longer available. The deduction has been replaced with a subtraction (code 351) that is limited to a maximum of $1,800 per taxpayer age 62 or older on December 31, 2013 with qualifying medical and dental expenses.* See page 69 for more details.

*Any penalty or interest charges that result solely from this change shall be waived. See page 32 for instructions for submitting a waiver request for underpayment of estimated tax (UND).

Registered domestic partners. At the time this publication was printed, we were waiting for guidance on the impact of the U.S. Supreme Court's decision regarding the Defense of Marriage Act on RDPs in Oregon. For updated information on the impact of that decision and how to file as RDPs, visit our website at www.oregon.gov/dor/personal and select "Registered domestic partners in Oregon" under *Taxpayer Tips.*

New subtraction. Oregon now allows a subtraction (code 352) for dividend payments received from a domestic international sales corporation (DISC). To claim the subtraction, the dividend payments must be included in your federal adjusted gross income. See page 59 for more details.

New tax credit auction. The Department of Revenue, in conjunction with the Department of Energy, can auction $3 million in tax credits from January 1, 2013 to January 1, 2015 for the Alternative Fuel Vehicle Fund. For information see page 90.

Important reminders

Military pay. You may continue to subtract military pay from your Oregon income if you earned it outside Oregon from August 1, 1990, through the date the president sets as the end of combat activities in the Persian Gulf. The president had not declared an end to combat activities when this publication was printed.

Payment options. The department accepts payment of tax by debit card, credit card, check, and money order. See page 15 for information and instructions.

Direct deposit. Instead of receiving your refund check in the mail, you may have your refund deposited directly into your account at a bank, credit union, or other financial institution. See page 15. You can also have your refund deposited directly into an Oregon 529 college savings network account. You may choose up to four accounts. See our full-year and part-year/nonresident booklets for more information.

Filling in codes. See our list of numeric codes to be used on the "Other additions," "Other subtractions," and/or "Other credits" lines on our forms. Returns cannot be processed without a valid numeric code entered in the appropriate box. Incorrect codes could cause a delay in processing. See page 124 in the appendix for a list of current codes.

Minimum refund. Under Oregon law, the minimum refund check amount that can be issued is $1.

Minor child's return and signature. If your child must file a tax return, you may sign the child's name as his or her legal agent. Sign the child's name and then write "By [your signature], parent (or legal guardian) for minor child."

Deceased person's return and signature. You must file a final return for a person who died during the calendar year if a return would normally be required. If a return must be filed, please check the "deceased" box.

Are you filing a final return and claiming a refund for a deceased person?

If so, file Form 243, Claim to Refund Due a Deceased Person, with the return. Go to our website to download the form or contact us to order it.

If you are a court appointed personal representative or have filed a small estate affidavit and you need more information about trusts or estates, contact our Estate Unit at estate.help.dor@state.or.us.

You may also want to read our publication *Survivor's Information*. To download the publication, go to our website or contact us to order it.

Oregon tax credits. Most Oregon tax credits are limited to your tax liability. However, report the full amount of each credit on your return, even if you cannot use all of the credit this year. Some credits allow a carryforward of any unused amount. When you prepare your 2013 return, refer to the copy of your 2012 return to see if you have any unused credit to carry forward. See **Credits** on pages 89–111 to find out which credits you can carry forward to future years.

General information

Oregon statute of limitations on refunds

Oregon law limits the time you have to claim a **refund** of Oregon tax. The allowable time depends on your circumstances. Some examples are listed below.

Withholding and estimated tax refunds

You must file your original return within three years of the due date to claim a refund of tax withheld or estimated tax payments. The due date does not include extensions. If you file more than three years after the due date, the excess tax withheld or estimated tax payments cannot be refunded or reduce tax you owe for another year.

Amended returns

If your original return was filed within three years of the due date, you may amend (change) your return and file for a refund within:

- Three years of the due date of your original return, or
- Three years of the date you filed your original return, or
- Two years of the date you paid your tax or paid any part of your tax, **whichever is later.**

If you file your amended return after three years, but within two years from the date you paid tax, your refund cannot be more than the amount of tax you paid during that two-year period.

Example: Bob filed his 2010 Oregon return and paid $300 tax due on time. In March 2013, he discovered he had forgotten to report some interest income. He amended his return. He paid $220 additional tax on April 1, 2013. On August 4, 2014, Bob discovers he failed to claim a large charitable contribution he made in 2010. Bob must amend his 2010 return by April 1, 2015. His refund will be limited to $220, the additional tax he paid within the last two years.

If the Oregon Department of Revenue adjusted items on your return and your right to appeal has expired, you cannot use the above rules. **You cannot claim a refund for those items.**

Federal corrections or other state corrections to tax returns

Sometimes when the IRS or another state corrects your return, the changes will affect your Oregon return, resulting in a refund. You have two years from the date of the correction to amend your Oregon return and claim a refund. This is true even if the three-year statute of limitations has expired. See **Amended returns** on page 13.

Net operating loss carryback

You may claim a refund from a net operating loss (NOL) carryback within three years after the due date (including extensions) of the return that showed the net operating loss. Be sure to check the NOL box on your amended schedule.

Interest

Interest rates are the same for taxes owed and refunds. Interest is charged on tax only and is paid on tax only. Interest is not charged on penalty. We do not charge compound interest. The following table shows interest rates since 2002. For interest rates before 2002, contact us. The dates listed below are when the interest rates were adjusted each year.

	Interest percentage rates		
Interest dates	**Annual**	**Monthly**	**Daily**
February 1, 2002	8%	.6667%	.0219%
February 1, 2003	7%	.5833%	.0192%
January 1, 2004	6%	.5%	.0164%
January 1, 2005	5%	.4167%	.0137%
January 1, 2006	7%	.5833%	.0192%
January 1, 2007	9%	.75%	.0247%
January 1, 2009	6%	.5%	.0164%
January 1, 2010	5%	.4167%	.0137%
January 1, 2013	4%	.3333%	.0110%

The annual interest rate is 4 percent for interest periods beginning after January 1, 2013. The interest rate may change once a calendar year, and has not changed for 2014.

How to figure interest on tax you owe

You must figure interest on the amount of tax not paid by the due date of your return.

An interest period is each full month, starting with the day after the due date of the original return. For example, April 16 through May 15 is one interest period.

Interest is figured daily for a fraction of a month, based on a 365-day year.

Interest owed on income tax starts the day after the due date of your original return and goes to the date of your payment. Even if you get an extension to file, you still owe interest if you pay after the return's original due date. **An extension to file is not an extension to pay.**

If you file an amended return or if your taxable income changed because of a federal or state audit and you have tax to pay, you will be charged interest starting the day after the due date of the original return until the date of your payment.

If the interest rate changes in the middle of an interest period (each full month), use the interest rate in effect at the beginning of the interest period for that entire period. Use the new rate starting at the beginning of the next interest period.

Example: You filed an amended income tax return for tax year 2010 on February 20, 2013. Your original 2010 return was due April 18, 2011. You paid additional tax with your amended return. Here's how to figure the interest periods and the interest rate for each period:

April 19, 2011–January 18, 2012
9 full months = 9 interest periods at a rate of .4167%

January 19, 2012–January 18, 2013
1 full year = 1 interest period at a rate of 5%

January 19, 2013–February 18, 2013
1 full month = 1 interest period at a rate of .3333%

February 19, 2013–February 20, 2013
2 days at a daily rate of .0110%

Example: You filed an amended income tax return for tax year 2010 on March 23, 2013. Your original 2010 return was due on April 18, 2011. You paid additional tax of $500 with your amended return. Here is how you figure the interest you owe on the additional tax:

April 19, 2011–January 18, 2012
.004167 × $500 × 9 months ..... =$18.75

January 19, 2012–January 18, 2013
.05 × $500 × 1 year ..... =$25.00

January 19, 2013–March 18, 2013
.003333 × $500 × 2 months ..... =$3.33

March 19, 2013–March 23, 2013
.000110 × $500 × 5 days ..... =$0.28

Total interest $47.36

Two-tiered interest on deficiencies and delinquencies

Additional interest of one-third of 1 percent per month (4 percent yearly) will be charged on deficiencies or delinquencies if:

- You have filed a return showing tax due (a self-assessed tax liability) and do not pay the tax due within 60 days after you file your return, or
- The Department of Revenue has assessed an existing deficiency, and you do not pay the assessment within 60 days after the date on the Notice of Assessment.

If you appeal to the Department of Revenue (or, in a hardship situation, to the Oregon Tax Court) without paying the tax, the increased interest rate will start with interest periods beginning 61 days after:

- The date of the department's written objection decision, or
- The date of the department's conference decision letter (CDL), or
- The date the Magistrate Division enters its decision, or
- The date the Tax Court or the Oregon Supreme Court enters its judgment.

How to figure interest on refunds for personal income tax

Interest is paid on refunds due to you if the department does not issue your refund by the 45th day after receiving your return. If you file your return before the due date, it is considered received on the due date. If the department issues your refund before the 45th day after receiving your return, you will not be paid interest.

Interest on net operating loss carrybacks is computed starting on the 45th day after the filing date or due date of the return of the loss year, whichever is later.

Example: You filed an amended income tax return for tax year 2011 on May 23, 2014. Your original 2011 return was due on April 17, 2012. You filed your original 2011 return on March 19, 2012. You are due a refund of $1,000 from the amended return. Here is how we figure the interest due to you on your refund:

April 18, 2012 – May 30, 2012 .....0 interest

May 31, 2012 – January 30, 2013,
.004167 x $1,000 x 8 months ..... =$33.34

January 31, 2013 – January, 30, 2014,
.04 x $1,000 x 1 year ..... =$40.00

January 31, 2014 – April 30, 2014,
003333 x $1,000 x 3 months ..... =$10.00

May 1, 2014 – May 23, 2014
.000110 x $1,000 x 23 ..... =$2.53

Total interest $85.87

Two-tiered interest on refunds

The interest rate will increase if we are unable to issue a refund within 60 days from the date of a Tax Court or Supreme Court judgment. The rate will increase by one-third of 1 percent per month (4 percent yearly) for interest periods that begin 61 days after the date the judgment is entered.

Penalties

5 percent failure-to-pay penalty

You must pay a penalty if you do not pay your tax by the original due date. This is true even if you have an extension of time to file. The failure-to-pay penalty is 5 percent of your unpaid tax.

You will not be charged the 5 percent failure-to-pay penalty if you meet **all** of the following requirements:

- You file federal Form 4868, *Extension of Time to File U.S. Individual Income Tax Return* (the automatic extension of time to file), or the Oregon Extension Form 40-EXT according to current Oregon income tax return instructions, and
- You pay at least 90 percent of your tax after credits by the original due date, and
- You file your return within the extension period, and
- You pay the balance of tax due when you file your return, and
- You pay the interest on the balance of tax due when you file your return or within 30 days of the date of the bill you receive from the department.

If you file with a valid extension but did not pay 90 percent of your tax by the original due date, you will be charged the 5 percent failure-to-pay penalty.

20 percent failure-to-file penalty

You must pay a penalty if you do not file your return within three months after the due date (including extensions). The penalty is 20 percent of the unpaid tax. The failure-to-file penalty is in addition to the 5 percent failure-to-pay penalty.

Example: Rosa filed her 2013 return on July 21, 2014. Her return was due April 15, 2014. She did not have an extension. She paid the tax due of $2,000 with the return. Here is how she figures her penalty:

Penalty (failure-to-pay)	
.05 × $2,000 tax	$ 100
Penalty (failure-to-file)	
.20 × $2,000 tax	400
Total penalties	$ 500

Note: Rosa will also owe interest for late payment of tax.

You will not be charged the 20 percent failure-to-file penalty if you:

- File federal Form 4868, *Extension of Time to File U.S. Individual Income Tax Return* (the automatic extension of time to file), or
- File the Oregon Extension Form 40-EXT according to current Oregon income tax return instructions, and
- File the return within three months after the due date (including extensions).

100 percent failure-to-file penalty

If you do not file returns for three consecutive years by the due date of the third year's return, including extensions, you must pay a 100 percent failure-to-file penalty on the tax due for each year.

100 percent intent to evade penalty

If you file a return with the intent to evade tax, you must pay a penalty of up to 100 percent of the tax due. In addition, you could be charged with tax evasion, a class C felony. You could be fined up to $125,000, serve a jail sentence, or both.

Total penalties

The total of these penalties cannot be more than 100 percent of the tax due. **Exceptions:** Penalties for substantial understatement of income, frivolous return, post amnesty, and abusive tax avoidance transactions may be in addition to other penalties.

20 percent substantial understatement of income penalty

If we determine that you have substantially understated your income on your return, you must pay a 20 percent penalty. A substantial understatement of income is more than $25,000 for C corporations and $15,000 for all others. Substantially understated income includes income attributable to an abusive tax shelter, even if fully disclosed.

This penalty is in addition to all other penalties provided by law.

$250 frivolous return penalty

If you file a frivolous return that is meant to deliberately delay or block the administration of tax laws, you must pay a $250 penalty. "Frivolous" includes, but is not limited to:

- An argument, without any good basis, that there has been a violation of your constitutional rights.
- Reliance on a "gold standard" or "war tax" deduction.
- An argument that wages or salary are not taxable income.
- An argument that the 16th Amendment to the U.S. Constitution was not properly adopted.
- An argument that "unenfranchised, sovereign, freemen, or natural persons" are not subject to tax laws.

Post amnesty penalty

If we determine that you were eligible for the tax amnesty program offered in 2009 and you didn't participate, you must pay an additional 25 percent

penalty. This penalty only applies to tax years 2007 and before.

Abusive Tax Avoidance Transactions (ATAT) penalties

Penalties can be imposed on abusive tax avoidance transactions (ATAT), including:

- A penalty of 60 percent of a listed transaction understatement. This penalty is in addition to and not in lieu of any other penalties.
- Failure to report a reportable transaction will result in penalties of $3,300 on individuals and $16,700 on corporations.
- Failure to report a reportable transaction on a listed transaction will result in penalties of $33,000 on individuals and $66,000 on corporations.
- A promoter of tax shelters may be assessed a penalty of 100 percent on gross income derived from promoting the shelter. This penalty is in addition to and not in lieu of any other penalties.

In addition to these penalties, the statute of limitations is increased to nine years if the department finds that a return involves use of a listed transaction.

Extensions of time to file

If you file a federal extension, Form 4868, and expect to get a refund for Oregon, DO NOT file an Oregon extension, Form 40-EXT. Oregon allows you the same extension you have for your federal return. Check the extension box on your Oregon tax return when you file and keep a copy of your federal extension in your records. You aren't required to send us a copy of your federal extension, though we may request one at a later date.

In some cases, you will need to file the **Oregon extension form,** Form 40-EXT. The following instructions will help you file for an Oregon extension properly:

- If you did not file a federal extension but need more time to file for **Oregon only** and you expect an Oregon refund:
  - — File Oregon Form 40-EXT. Enter -0- in the payment amount box on Form 40-EXT, *Automatic Extension for Individuals.* Mail the Form 40-EXT to: *Extension Clerk, Oregon Department of Revenue, PO Box 14950, Salem OR 97309-0980.*
  - — Check the extension box on your Oregon tax return when you file your return.
  - — Keep a copy of your extension in your records; we may request one at a later date.
- If you need more time to file for Oregon and you need to make a tax payment to Oregon:
  - — Complete the tax payment worksheet on Form 40-EXT.
  - — Make your payment. To make a payment by credit or debit card see page 15. If you pay by credit or debit card DO NOT send an Oregon Extension, Form 40-EXT. You will indicate when making your payment that it is for an Oregon extension.

    Alternatively, you may send a check or money order along with an Oregon extension, Form 40-EXT, to: *Extension Clerk, Oregon Department of Revenue, PO Box 14950, Salem OR 97309-0950.*
  - — Check the extension box on your Oregon tax return when you file your return.
  - — Keep a copy of your extension in your records; we may request a copy at a later date.

An extension does not mean more time to pay!

You must pay any tax you expect to owe with your extension form by April 15, 2014. If you do not pay all the tax due with your extension, you will owe interest on the unpaid balance after April 15, 2014, until the date it is paid. To avoid penalty and interest charges, include enough payment with your extension to cover your tax liability. If you discover you have overpaid, you will receive a refund. The current interest rate is 4 percent per year. If the tax is not paid within 60 days of our bill, the interest rate increases to 8 percent per year.

Were you stationed in a designated combat zone?

Did you receive additional time to file your federal return and pay your federal tax? If so, Oregon allows the same additional time to file and pay. Write "combat zone" in blue or black ink at the top of your return when you file it.

Do you live in an area affected by a national disaster?

Did you receive additional time to file your federal tax return and pay your federal tax? If so, you may qualify for additional time to file your Oregon return and pay your Oregon tax. Please call us for information and instructions on filing or visit our website.

Amended returns ORS 314.380

Reasons to file an amended return

- An IRS audit (or other state audit) resulted in a change to your original return that affects your Oregon return.
- You amended your federal (or other state) return and the changes you made affect your Oregon return.

- You have a net operating loss (NOL) and will carry back the NOL to a prior year.
- You need to correct the income or deductions you originally reported.

What form to file to amend a return

The Amended Schedule is used to amend (or correct) returns for all tax years. Generally, you will use the same form (Form 40, 40P, or 40N) and instructions you used to file your original return to complete your amended return. However, if you are changing your residency status (for example, from full year resident to part-year resident), use the appropriate form for your corrected residency status.

Complete the Amended Schedule and attach it to your amended return (Form 40X is no longer accepted). To download the Amended Schedule and instructions visit our website, or call us to order a copy.

When to file an amended return

Refund. Generally, you must file a claim for a refund (an amended return showing a refund) within three years from the due date of your original return, or the date you filed your original return, whichever is later.

Example: Hazel, a full-year Oregon resident, filed her original 2012 return on April 15, 2013. In February 2014, she discovered she failed to claim her Schedule A charitable contributions on her original 2012 return. Hazel must file her amended 2012 return no later than April 15, 2016, to claim her refund of overpaid taxes.

There are exceptions for filing an amended return after the three-year statute of limitations has expired. These exceptions are explained in the instructions for *Oregon Amended Schedule.*

Tax to pay. If you need to file an amended return because you owe more tax, do it as soon as possible. Pay the tax and interest due when you file the amended return. Interest will be charged from the day after the due date of the original return to the date you pay the tax.

For more details and complete instructions for filing an amended return, please visit our website or call us.

Injured spouse/RDP refund claims ORS 314.415 (7)

Are you filing a joint return with your spouse or RDP, who is separately liable for a debt to a state agency? If so, you may request that your joint refund be apportioned.

When your return is processed, we will notify you of our intent to apply the joint refund to any debts owed to the state of Oregon. When you receive our notice, send us a request to divide the refund.

Use federal Form 8379 and fill in the Oregon refund numbers or make your own worksheet. Please respond within 30 days of the date of our notice.

Separate your withholding, tax payments, and items of income. Income from jointly held property must be split evenly, including interest earned on joint bank accounts.

If the debt is owed to another state agency (not for state taxes), address your refund request to:

Attention: Other Agency Accounts
Oregon Department of Revenue
955 Center Street NE
Salem OR 97301-2555

If the debt is owed for Oregon state taxes (i.e., any tax program administered by the Department of Revenue), address your refund request to:

Oregon Department of Revenue
955 Center Street NE
Salem OR 97301-2555

For additional information, visit our website at www.oregon.gov/dor/personal and click on "Have filing questions? Read through the Personal Tax FAQs," then click on "Refund."

Electronic filing for Oregon

Electronic filing is a fast, efficient, and accurate way to file an Oregon income tax return. Electronically filed returns require fewer manual steps to process compared to paper returns.

Practitioners are automatically approved for Oregon electronic filing after the IRS acceptance of Form 8633, *Application to Participate in the Electronic Filing Program.* There is no separate registration required for Oregon.

Paid preparers who meet the requirements of the federal e-file mandate must also e-file Oregon personal income tax returns. For information on waivers of this requirement, visit our website at www.oregon.gov/dor/preparers, then click on "FAQs" under "Current Topics."

The copy you provide to the client must be an exact copy of the tax return you submit to us.

2-D barcode filing for Oregon

2-D barcode filing is an alternative way to file a paper Oregon return. Oregon-approved tax software packages are required to print a 2-D barcode on forms 40, 40N, and 40P. The 2-D barcode on the tax return is a "picture" of the information on the return, which is printed on the return's front page. A machine reads the barcode information so it doesn't have to be entered manually into our computer system.

If changes are made to the return after it has been printed, the entire return must be re-printed so that the barcode will reflect the correct information.

The copy of the return you provide to your client must be an exact copy of the tax return you submit to us.

Payment Options

Electronic payments from your checking or savings account

You can pay your prior year income taxes, current year income taxes, and 2014 estimated income taxes directly from your checking or savings account. There is no fee for this. Go to our website for more information.

Credit card payments

You can pay your current-year balance due, make estimated tax payments, and pay prior year taxes with your American Express, Discover, MasterCard, or Visa credit card. This option is available to both electronic and paper filers.

To pay your taxes by credit card, contact Value Payment Systems, Inc. You may use their toll-free telephone number or visit their website.

The service provider **will charge** you a convenience fee based on the amount of your tax payment and will indicate the amount of the fee during the transaction. You will have the option to either continue or cancel the transaction after entering your credit card information.

If you accept the credit card transaction, you will get a confirmation number. **Keep this confirmation number as proof of payment.**

Value Payment Systems, Inc.

Call toll free 1-888-972-9673 or visit their website at www.payortax.com. They accept American Express, Discover, MasterCard, and Visa.

Check or money order

- Make your check or money order payable to **"Oregon Department of Revenue."**
- Write your daytime telephone number and the tax year to apply the payment on your check.
- Use blue or black ballpoint ink. Do not use red or purple ink or gel pens.
- Do not send cash or a postdated check.
- Include the appropriate payment voucher, form 40-V or 40-ESV, with your payment. Form 40V is available in our tax booklets and both forms are available for download on our website.

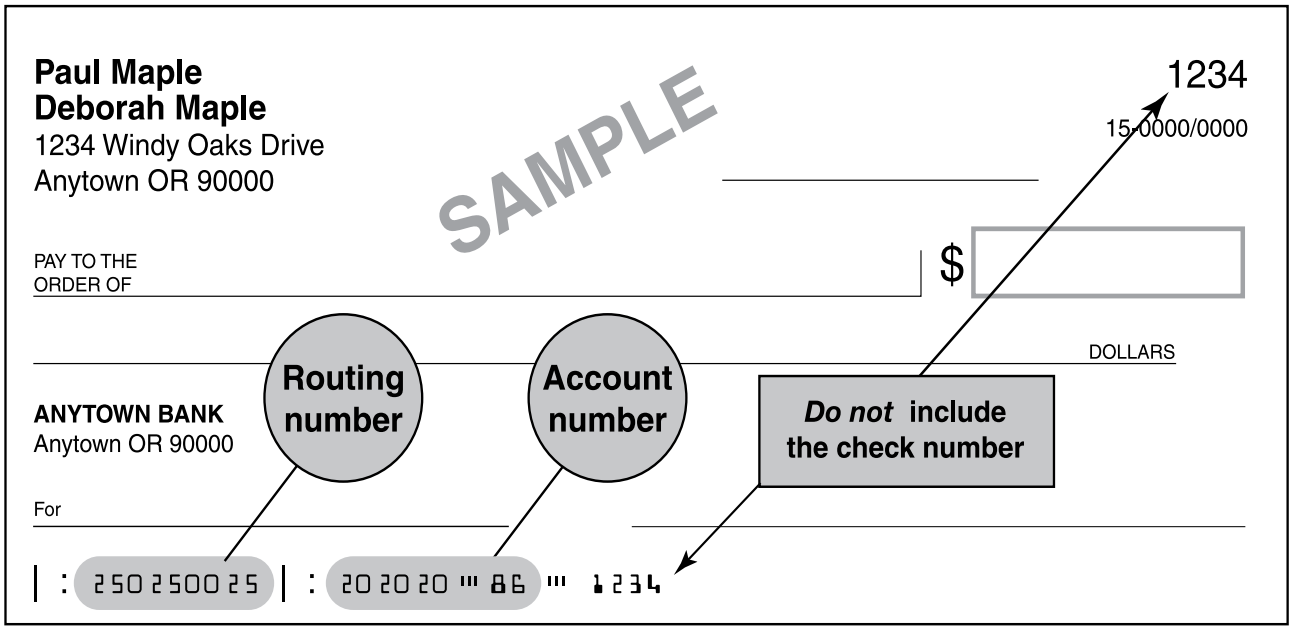
Direct deposit of refund

Your income tax refund can be deposited directly into your account at a bank or other financial institution, including credit unions.

You can also have your refund deposited directly into an Oregon 529 college savings network account. You may choose up to four accounts. See our full-year and part-year/nonresident booklets for more information.

If you are filing a joint return, both you and your spouse must sign the tax return. Without both signatures, we can't deposit the refund directly into your account.

Direct deposit—necessary numbers



Note: Some banks may not accept direct deposits into accounts that are payable through another bank. Also, some banks do not permit the deposit of a joint refund into an individual account.

Contact your bank to make sure your deposit will be accepted. Make sure you have your correct routing number and account number. See sample below.

- **Routing numbers** are nine digits and must begin with 01 through 12, 21 through 32, or 61 through 72.
- **Account numbers** can be up to 17 characters, both numbers and letters. Include hyphens, but do not include spaces or special symbols. If your account number is fewer than 17 characters, leave the unused boxes (on your return) blank.

It is your responsibility to make sure your bank information is correct. The department cannot correct deposits made to an incorrect bank account approved by you. The department cannot direct deposit a refund if the final destination is a foreign bank account.

The Oregon Department of Revenue is not responsible when a bank rejects a direct deposit. If the direct deposit is rejected, the department will issue a check and send it to the mailing address shown on your return.

Refund processing

When will I get my income tax refund this year?

Processing time for your return will depend on how and when you filed your return. The chart below will help determine when you should get your refund.

After we begin processing returns, allow:

If you e-file your return	7-10 business days
If you mail your return before April 1	
• With 2-D barcode	1-2 weeks
• Without 2-D barcode	4-6 weeks
If you mail your return on or after April 1	
• With 2-D barcode	2-4 weeks
• Without 2-D barcode	6-8 weeks

Amended returns may take longer to process. You should allow six to eight months for refund requests on amended returns.

Also, your refund may be delayed if your return needs additional review.

Refund delays

Several things might delay processing of your tax return or your refund:

- Change in name. If you have a different name in our records from a previous filing, special handling will be required.
- Change in Social Security number.
- Application for an individual taxpayer identification number (ITIN).
- Failure to attach forms W-2, 1099, or a similar form as proof of Oregon withholding.
- Failure to attach a copy of your federal return.
- Claiming a working family child care credit. These refundable tax credit claims are reviewed manually and take additional time to process.
- Claiming a mobile home park closure credit.
- Unidentified other subtractions, other additions, and/or other credits. The numeric codes are shown in this publication along with the text for each other addition, other subtraction, and other credit. We also provide a list of the numeric codes in the appendix on pages 124–127.
- Debt to other agencies. If you and/or your spouse or RDP owe money to other agencies (for example: student loans, parking tickets, or back child support), your refund might be delayed or used to offset your debt.
- Incorrect bank account information. Verify your bank account information for direct deposit refunds. If your bank information is incorrect, the department must wait for the bank to return the funds before issuing a refund check.

Residency ORS 316.027

General rule. Oregon taxes residents on all sources of income. Oregon taxes nonresidents on income earned from Oregon sources.

Residents

An Oregon resident is someone who is domiciled in this state. "Domicile" is defined below.

An Oregon resident may also be someone who is not domiciled in Oregon, but:

- Maintains a residence in Oregon, and
- Spends a total of more than 200 days in Oregon during the taxable year.

A fraction of a day is considered a whole day when figuring the 200 days. We will not consider you a resident if you are in Oregon for a temporary purpose.

The burden of proof is on you to show your stay here is only temporary.

Consider both your domicile and the place where you live to determine how you are taxed.

Domicile. Domicile is a tax-law concept. It is the place you consider to be your home and where you plan to return after an absence. Domicile is not the same as home, abode, or residence. Intent is the deciding factor when you determine your domicile. The law assumes you have a domicile somewhere. It also assumes you have only one domicile.

Home. If you have one home, your domicile is generally where that home is located. If you have two homes, your domicile follows your center of activity.

To determine your center of activity and your domicile, consider:

- Physical characteristics of the place.
- Time you spend there.
- Things you do there.
- People and property there.
- Your attitude toward the place.
- Your intent to return to the place when you are away.

Family relations. Generally, spouses/RDPs living together have the same domicile. The domicile of minor children is determined by the domicile of the person who has legal custody of them.

When living apart, a husband and wife each may establish their own domicile if they meet the requirements for a change of domicile.

Change of domicile. Intent is the most important factor in determining a change of domicile. If intent relies on uncertain events, you have not changed your domicile. Once domicile is established, it is never lost until **all** of the following happen:

- You intend to abandon the old domicile, and
- You intend to acquire a specific new domicile, and
- You are physically present in the new domicile.

The important points are (1) physical presence at a new dwelling and (2) the intent to make the new dwelling a home.

Special-case Oregon residents (Oregon residents not living in Oregon). While domiciled in Oregon, you will be taxed as a nonresident if you meet **all** of the following requirements:

- You do not maintain a permanent residence in Oregon for yourself or your family during any part of the year, and
- You maintain a permanent residence outside Oregon during the entire year, and
- You spend less than 31 days of the year in Oregon.

Oregon residents living in a foreign country. Certain Oregon residents living in a foreign country may be taxed as **foreign nonresidents.**

To qualify as a nonresident, you must meet **one** of these two tests:

1. The "physical presence" test, **or**
2. The "bona fide residence" test.

In general, you're considered a nonresident if you claim a foreign earned income or housing exclusion under federal law. In addition, you may be an Oregon nonresident if you are in the civil service or military. This is true even though you cannot claim the exclusions.

Physical presence test. To meet the requirements of the physical presence test:

- Your tax home must be in a foreign country, and
- You must be present in a foreign country or countries for 330 full days out of any consecutive 12-month period.

"Tax home" is generally your regular place of business, the location where you work, regardless of where you live. For more information on tax home, please refer to Internal Revenue Service *Publication 17—Your Federal Income Tax for Individuals.*

The 12-month period may begin on any day of the calendar month. The period ends with the day before the corresponding calendar day 12 months later. For example, a period beginning July 1 would end June 30 of the next year.

A full day means a period of 24 consecutive hours beginning at midnight.

Any period of 12 consecutive months may be used. The 330 days must fall **within** that 12-month period.

Example 1: Juan arrives in England on April 24, 2012, at noon. He establishes his tax home in England and remains there until 2 p.m. on March 21, 2014. Juan is present in a foreign country for 330 full days during two different 12-month periods:

- One 12-month period starts on his first full day in England, April 25, 2012, and ends April 24, 2013.
- The other 12-month period starts on March 21, 2013, and ends on his last full-day day in England, March 20, 2014.

Juan meets the physical presence test using either of these 12-month periods.

Juan qualifies for nonresident treatment for the months he was out of the country during 2012, 2013, and 2014. He should file Oregon part-year returns for 2012 and 2014 and a nonresident return for 2013.

Example 2: Use the facts in Example 1, but change Juan's arrival date to June 23, 2013.

Juan will not qualify for the nonresident treatment because he was not out of the country for 330 days. He will file a full-year resident return for 2013 and 2014.

Bona fide residence test. To meet the requirements of the bona fide residence test, you must:

- Establish, to the satisfaction of the Secretary of the U.S. Treasury, bona fide residence in a foreign country, and
- Maintain a bona fide residence for an uninterrupted period that includes a full tax year.

Example 3: Sandra is a calendar-year taxpayer. She establishes bona fide residence in Russia on November 12, 2013. She is transferred back to the United States on December 11, 2014. She does not meet this test. The period of bona fide residence does not include a full tax year. (Although Sandra does not qualify for the bona fide residence test, she would qualify for the physical presence test.)

Example 4: Use Example 3, but Sandra continues to work in Russia until 2015. She would now qualify under the bona fide residence test. Her residence was established for a full tax year. Sandra should file a nonresident return for 2014.

Sandra also qualifies for nonresident treatment for the months in 2013 and 2015 that she maintained bona fide foreign residence. She should file Oregon part-year returns for 2013 and 2015.

For more information about physical presence or bona fide residence, see IRS *Publication 54, a Tax Guide for U.S. Citizens Living Abroad.*

Nonresidents

If you were domiciled outside Oregon and lived outside Oregon for the entire year, you were a nonresident of Oregon. If you are a nonresident, Oregon taxes only income you earned in Oregon and from Oregon sources. In some cases a taxpayer domiciled in Oregon can be treated as a nonresident. See **Special-case Oregon residents** on page 17.

Example 1: Misha was a permanent California resident in 2013. She temporarily worked in Medford as a computer consultant for two months in 2013. Misha is a nonresident of Oregon. She will pay Oregon tax on the income she earned in Oregon. California will also tax Misha's income because she is a resident of that state. Because both Oregon and California will tax her income, Misha will have a credit for taxes paid to another state. For information about this credit, see page 97.

Example 2: Nash was a permanent Nevada resident in 2013. He has rental property in Oregon. Nash is a nonresident of Oregon. He will pay Oregon tax on the income from his Oregon rental property.

Part-year residents

If you lived in Oregon for part of the year and you lived in another state for part of the year, you're a part-year Oregon resident. Oregon taxes all of your income for the part of the year you were an Oregon resident. Oregon also taxes any income earned in Oregon or earned from Oregon sources for the part of the year you were a nonresident.

Example 1: Gustav was a resident of Minnesota through July 21, 2013. On July 22 he moved permanently to Oregon. Gustav is considered a part-year Oregon resident for tax year 2013.

Example 2: Bailey was a resident of Oregon from 1986 through March 2013. She permanently changed her residence from Oregon to Delaware on April 1, 2013. Bailey is considered a part-year Oregon resident for tax year 2013.

Registered domestic partners (RDP) ORS 314.023

Filing your Oregon income tax return

Registered domestic partners are subject to the same tax statutes and regulations that apply to married filers. You have the option to file jointly or separately. As a registered domestic partner, you are no longer eligible to use the single filing status on your Oregon return; generally you must use one of the following Oregon filing statuses:

- Registered domestic partners filing jointly, or
- Registered domestic partner filing separately.

Like married joint filers, RDPs filing jointly will be held jointly and severally liable for their entire tax liability.

To correctly figure your Oregon tax liability, you need to complete a federal income tax return "as if" you are married filing jointly or married filing separately. Use the information you calculated on the "as if" federal return to complete your Oregon income tax return.

The "as if" return will not be submitted to the IRS, but a copy needs to be included with your Oregon tax return.

General filing instructions

If you were an RDP under Oregon law on December 31, 2013, or if you were an RDP during 2013 and your partner died and you did not enter into a new registered domestic partnership or marry during 2013, please follow these directions for filing your 2013 income tax return:

1. Complete your federal forms (1040, 1040A, 1040EZ) for each partner, using the appropriate federal filing status, such as single or head of household. File these returns with the IRS.
2. Use another federal form to complete a return that assumes you were allowed to file a joint or separate federal return. Use all the same IRS rules and procedures that apply to married couples (don't compute an "as if" federal tax). This is called the "as if" federal return. **Important!** Do not file this "as if" form with the IRS. **Note:** If your wage statement includes the imputed value of health or education benefits you received from your employer for your same-sex partner or qualifying dependents, subtract the amount included in your wages on the "other income" line of your "as if" federal return.
3. Complete your Oregon return jointly (using the RDP filing jointly status) or separately (using the RDP filing separate status) or other filing status if you qualify. Your filing status must match the status you use on the "as if" federal return. Information used to fill out the Oregon returns must be taken from the "as if" federal return and not the individual federal returns that you actually filed with the IRS except for the federal income tax liability subtraction.

Follow these steps to ensure that your income tax returns are filed correctly.

1. File your individual federal forms with the IRS.
2. After completing your "as if" federal return, use the appropriate Oregon form (40, 40N or 40P) to file jointly or separately. Use the information from your "as if" return to complete your Oregon return(s). **Note:** Use the actual amount both RDPs paid in federal tax to compute the correct federal tax subtraction.
3. Submit the following to the Oregon Department of Revenue:
   - Your original federal return(s), labeled "RDP ORIGINAL,"
   - Your "as if" federal return, labeled "RDP FOR OREGON ONLY," and
   - Your original Oregon return(s).

If you and your partner file separate Oregon returns, please send the returns in the same envelope, but do not staple your separate returns together.

It is very important to keep all copies of "as if" returns with your tax records for future reference. For more information on filing your taxes as a registered domestic partner, visit www.oregon.gov/dor/personal, then under "Taxpayer Tips," click on "Registered domestic partners (RDP) in Oregon.

What form to file

Oregon has three types of tax forms. The form you use will depend on your residency status. The three forms are identified below.

Resident—Form 40

Use Form 40 if you are a full-year Oregon resident.

Part-year resident—Form 40P

Use Form 40P if any **one** of the following is true:

- You are a part-year resident, or
- You are filing jointly and one spouse/RDP is a full-year Oregon resident and one is a part-year resident, or
- You qualified as an Oregon resident living abroad for part of the year.

Nonresident—Form 40N

Use Form 40N if any **one** of the following is true:

- You are a nonresident, or
- You are a special-case Oregon resident. See page 17, or
- You and your spouse/RDP are filing jointly and one (or both) of you is a nonresident, or
- You meet the military personnel nonresident requirements. See page 24, or
- You qualified as an Oregon resident living in a foreign country for the entire year. See page 17.

Filing status

General rule

The filing status on your Oregon return must be the same as your filing status on your federal return. RDPs use the filing status you used on your "as if" federal return. See exceptions on page 20.

Example 1: Minerva filed her federal return using the filing status of single. She must use the same, single, filing status on her Oregon return.

Example 2: Peter and Della are married and both are full-year Oregon residents. They filed a joint federal return. Peter and Della must use the same, married filing jointly, filing status on their Oregon return.

Example 3: Tia and Colin are married and choose the married filing separately filing status on their federal returns. They must use the same, married filing separately, filing status on each of their separate Oregon returns.

Community property income of married/RDP filing separate taxpayers

An Oregon resident whose spouse/RDP lives in a community property state may have community property income that is taxable by Oregon. There are nine community property states. They are: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.

Some residents of community property states are not subject to community property laws for various reasons. You will need to check with your community property state. IRS Publication 555 also contains information that may be helpful to you. Here are examples of how to file for Oregon:

Example 1: Paul and Marie are legally separated. Paul is an Oregon resident. Marie is a California resident. California is a community property state. Although they are married, they maintain separate households. They do not combine funds, and have no plans to get back together. They file a joint return with the IRS. When Paul files his separate return for Oregon on Form 40, he does not have to include any community property income because California's community property laws do not apply to him and Marie.

Example 2: Renton is an Idaho resident. His wife, Julie, lives in Oregon. Julie plans to move to Idaho next year, but for now they will live separately. Julie's 2013 income is $40,000 in wages, $3,000 in capital gain, and $100 in interest.

Because Renton is domiciled in Idaho, they are subject to Idaho's community property laws. His income for 2013 is $60,000 in wages and $500 in interest. They plan to file a joint return with the IRS, but are not sure whether they want to file joint for Oregon.

If they file a joint return for Oregon, they will file on Form 40N. The Oregon column, lines 8S through 30S, will contain all of Julie's income since Oregon taxes all of her income from all sources. In addition to Julie's separate income, she has $30,250 of community property income for 2013—half of Renton's wages and bank interest. Line 30F (federal column) of their joint Form 40N is $103,600, which is equal to their federal adjusted gross income. Line 30S (Oregon column) is $73,350—Julie's wages, capital gain, interest, and community property income ($40,000 + $3,000 + $100 + $30,250). They are also eligible for a credit for taxes paid to Idaho on Julie's mutually taxed income of $30,250. See *Credit for Income Taxes Paid to Another State* for more information on the credit.

If they file separate returns for Oregon, Julie will file using Form 40. Julie will fill out a federal return as if she had filed separately. She will include all of her separate income and community property income—$73,350. This amount flows through to line 8 of her Oregon Form 40. She is eligible for a credit for taxes paid to Idaho, because she must also file a return with Idaho for the community property income of $30,250.

Example 3: Becky and her husband, Morgan, are Oregon residents. However, Morgan took a job two years ago in Washington and rents an apartment near his work. Morgan comes to Oregon during winter and spring breaks for a total of 22 days. Occasionally, Becky and the kids go to Washington to see him. Becky works in Oregon and rents a home. The lease for the home in Oregon is in Becky's name. The lease for the apartment in Washington is in Morgan's name and most of his belongings are in Washington. He considers Oregon his home and plans to come back here in another year. Morgan's driver's license, vehicle registration, and voter's registration are in Oregon. Because Morgan is not domiciled in Washington, they are not subject to Washington's community property laws. Morgan meets the qualifications for special-case Oregon resident and Oregon treats him as a nonresident for tax purposes. Morgan and Becky file a joint return with the IRS. They decide to also file jointly for Oregon. They will use Form 40N and only report Becky's income in the Oregon column.

Example 4: Kevin lives and works in California and is subject to California's community property laws. Lori, his wife, moved to Oregon with their kids two years ago. Kevin supports them and will be ready to transfer to Oregon within the next two years. Kevin has $110,000 in wages. Kevin and Lori have joint income of $2,000 in interest and $4,000 in capital gain. Lori has separate income of $5,000 from her business. They decide to file separate returns for the IRS. Lori's federal adjusted gross income is $63,000; half of Kevin's wages, half of their joint income, and all of her business income. Kevin's federal adjusted gross income is $58,000; half of his wages and half of their joint income. Lori must file using the married filing separate filing status for Oregon on Form 40 because she did so on her federal return. She is eligible for a credit for taxes paid to another state, but must claim it on her California nonresident return. Kevin is not required to file for Oregon.

Important: You must check the laws of the community property state to see if you, or your spouse/RDP, are subject to those laws even if your situation is similar to one of the examples.

Exceptions: Married/RDP with different residency statuses

If you and your spouse/RDP file a joint federal return but each of you has a different residency status, you have a choice of two different filing statuses to use for Oregon:

- You and your spouse/RDP may file one Oregon return using the married/RDP filing jointly filing status, or
- You and your spouse/RDP may file two separate Oregon returns, each using the married/RDP filing separately filing status.

Example: Bea and Cal are married but live in different states. Bea is a permanent resident of Oregon and Cal is a permanent resident of Idaho. Each year they file married filing jointly on their federal return.

In tax year 2012, they decided to file separate returns in their respective resident states. Bea and Cal would both use the filing status of married filing separately on their state income tax returns.

In tax year 2013, Bea and Cal decided to file married filing jointly on their state returns, even though they continue to live in different states. They will file as married filing jointly on each of the Oregon and Idaho state returns.

Note: Married nonresident aliens have to file separate returns for Oregon, since they must file separate returns for federal. This exception does not apply to RDPs as they cannot file joint returns under federal law.

See the next section for more information for married filers with different residency statuses.

Special instructions for married/RDP filers with different residency statuses

You may file separate Oregon returns if you and your spouse/RDP do not have the same residency status. If you choose to file separately for Oregon, you must use the married/RDP filing separately filing status. You may not file as head of household (ORS 316.122).

- **Full-year resident and part-year resident.** If you file separate Oregon returns, the full-year resident will file Form 40 and the part-year resident will file Form 40P. If you choose to file a joint return for Oregon, file Form 40P.

  The full-year resident will report all income from all sources for the year. The part-year resident will report all income while a resident and all Oregon-source income while a nonresident.

- **Full-year resident and nonresident.** If you file separate Oregon returns, the full-year resident will file Form 40 and the nonresident will file Form 40N. If you choose to file a joint return for Oregon, file Form 40N.

  The full-year resident will report all income from all sources for the year. The nonresident will report only Oregon-source income.

- **Nonresident and part-year resident.** If you file separate Oregon returns, the nonresident will file Form 40N and the part-year resident will file Form 40P. If you choose to file a joint return for Oregon, file Form 40N.

  The nonresident will report only Oregon-source income. The part-year resident will report all income while a resident and Oregon-source income while a nonresident.

Filing information

If you file separate returns for Oregon, you and your spouse/RDP each should report your own share of income and deductions. Also, report your share of any Oregon additions or subtractions. See **"federal tax"** explained below.

If you are a full-year resident, file Oregon Form 40 and report your share of federal adjusted gross income (AGI).

If you are a nonresident or part-year resident, file Oregon Form 40N or Form 40P, respectively. Report only your income. Use the following rules to file under this exception.

Your percentage. Use the following formula to compute your share of certain deductions:

$$\frac{\text{Your share of federal AGI}}{\text{Joint federal AGI}} = \text{Your percentage (not to exceed 100\%)}$$

If your share is less than -0-, your percentage is -0-.

Federal tax. Each spouse/RDP may subtract a portion of his or her joint federal tax liability.

RDPs: Use amounts from your actual federal returns, not your "as if" return, for determining your federal tax subtraction.

Multiply the joint federal tax liability (after all credits except the earned income credit) by your percentage to determine your federal tax subtraction. See page 59 for limitations.

Itemized deductions. Multiply the itemized deductions by your percentage to compute your share. Or, you may itemize separately if you can clearly determine each spouse's/RDP's deductions. Remember to use "Net Oregon itemized deductions." For itemized deductions, see page 83.

Standard deduction. The Oregon standard deduction is $2,080 for each spouse/RDP.

Each spouse/RDP is allowed an additional $1,000 if:

- He or she is age 65 or older.
- He or she is blind.

It is possible for each spouse/RDP to have up to $2,000 in additional standard deductions for age and blindness, plus the regular $2,080 standard deduction.

Exceptions:

- You cannot claim the standard deduction if your spouse/RDP claims itemized deductions. In this case, your standard deduction is zero, and you should itemize deductions.
- You cannot claim the standard deduction if you are a nonresident alien. You may only claim itemized deductions.

Exemptions. You cannot prorate exemptions. You may claim exemptions for yourself and any dependents allowed on your federal return. You cannot claim an exemption for the same dependent claimed on your spouse's/RDP's return.

How to file your separate return for Oregon only. Write your Social Security number in the heading of the return. Do not write your spouse's/RDP's name or Social Security number in the heading. Write your spouse's/RDP's first name, last name (first four letters only), and Social Security number in the space after the "Married filing separately" or "Registered domestic partners filing separately" box.

If you file separately for Oregon only, write "MFS for Oregon only" in the center at the top of the form. Please write this in **blue or black** ink.

Important: Include a federal Form 1040 or Form 1040A showing how your federal return **would have been filed** if you had filed married filing separately. Also, include a copy of the joint federal Form 1040 or 1040A that you actually filed. For RDPs, include a copy of your joint "as if" federal return.

If possible, mail both Oregon returns and the federal returns in the same envelope, but do not staple them together.

Note: If you file separate federal returns, you must file separate Oregon returns. If you are a nonresident spouse/RDP without Oregon income, you are not required to file an Oregon return.

Example: Jim worked and lived in Oregon all year. Mary moved from Idaho to Oregon in July and married Jim. They filed a joint federal return and are filing separate returns for Oregon.

Mary earned $30,000 in Oregon and $22,000 in Idaho. Jim earned $41,000 in Oregon. Their total federal adjusted gross income (AGI) was $93,000.

Jim and Mary claimed $12,200 itemized deductions, including $4,900 Oregon withholding tax, on their joint federal return. Mary's Oregon withholding tax was $2,200. Jim's Oregon withholding tax was $2,700. Their joint federal income tax liability was $14,400.

Jim, a full-year Oregon resident, files Form 40 and reports his income of $41,000. He claims the following federal tax liability and deductions:

His share:				=	.44 (44%)
Federal tax:	.44	×	$14,400	=	$6,336
	(Subtraction limited to $3,125)				
Total itemized deductions:	.44	×	$12,200	=	$5,368
Deduction for Oregon tax:	.44	×	$4,900	=	$2,156

Jim will have net Oregon itemized deductions of $3,212 ($5,368 – $2,156). He will claim his own Oregon withholding of $2,700 on his separate Oregon return.

Jim follows the line instructions for Oregon Form 40 to complete his return.

Mary, a part-year resident, files Form 40P and reports $52,000 federal AGI ($30,000 from Oregon sources). She claims the following federal tax liability and deductions:

Her share:				=	.56 (56%)
Federal tax:	.56	×	$14,400	=	$8,064
	(Subtraction limited to $3,125)				
Total itemized deductions:	.56	×	$12,200	=	$6,832
Deduction for Oregon tax:	.56	×	$4,900	=	$2,744

Mary will have net Oregon itemized deductions of $4,088 ($6,832 – $2,744). She will claim her own Oregon withholding of $2,200 on her separate Oregon return.

Mary follows the line instructions for Form 40P to complete her return.

Filing requirements

Full-year residents

Note: Amounts on the chart apply to all taxable income from all sources.

You must file an Oregon return if:

Your filing status is:	Number of boxes checked on line 7a of return:	And your gross income is more than:
Single, can be claimed on another's return	Any	See "Dependents" below

Single	0	$5,695
	1	$6,895
	2	$8,095
Married/RDP filling joint	0	$11,390
	1	$12,390
	2	$13,390
	3	$14,390
	4	$15,390
Married/RDP filing separate	0	$5,695
	1	$6,695
	2	$7,695
Head of household	0	$7,105
	1	$8,305
	2	$9,505
Qualifying widow(er)	0	$7,920
	1	$8,920
	2	$9,920

In addition, file a return if:
- You're required to file a federal return.
- You had $1 or more of Oregon income tax withheld from your wages.

Dependents

1. Enter gross income from all taxable sources. 1. $ _____
2. Earned income $___ plus $350. Enter total. 2. _____
3. Set amount. 3. 1,000
4. Enter the larger of line 2 or 3. 4. _____
5. Enter the standard deduction for a single person: 5. _____
   - Basic standard deduction: $2,080
   - Over age 65 or blind: $3,280
   - Over age 65 and blind: $4,480
6. Enter the smaller of line 4 or 5. 6. $ _____

If line 1 is more than line 6, you must file an Oregon return. If line 6 is more than line 1, you are not required to file an Oregon return.

Example 1: Billy Jo is single, age 20, and a full-time college student. Her parents claim her as a dependent. Billy Jo has earned income of $700 from her job. She also has $29 of interest income from her savings account.

1. Enter gross income from all taxable sources: $700 plus $29. 1. $ 729
2. Earned income $700 plus $350. Enter total. 2. 1,050
3. Set amount. 3. 1,000
4. Enter the larger of line 2 or 3. 4. 1,050
5. Enter the standard deduction for a single person: 5. 2,080
   - Basic standard deduction: $2,080
   - Over age 65 or blind: $3,280
   - Over age 65 and blind: $4,480
6. Enter the smaller of line 4 or 5. 6. $ 1,050

Because line 6 ($1,050) is more than line 1 ($729), Billy Jo is not required to file an Oregon return.

Note: If Billy Jo had any Oregon income tax withheld from her income, she should file an Oregon return to claim her refund.

Example 2: Norman is single, age 17, and claimed as a dependent by his parents. Norman has earned income of $3,015 from his part-time job. He does not have any other income.

1. Enter gross income from all taxable sources. 1. $3,015
2. Earned income $3,015 plus $350. Enter total. 2. 3,365
3. Set amount. 3. 1,000
4. Enter the larger of line 2 or 3. 4. 3,365
5. Enter the standard deduction for a single person: 5. 2,080
   - Basic standard deduction: $2,080
   - Over age 65 or blind: $3,280
   - Over age 65 and blind: $4,480
6. Enter the smaller of line 4 or 5. 6. $2,080

Because line 1 ($3,015) is more than line 6 ($2,080), Norman is required to file an Oregon return.

Example 3: Katrina is single, age 19, a full-time student, and claimed as a dependent by her mother. Katrina did not work but had $1,057 of unearned interest income from her certificate of deposit.

1. Enter gross income from all taxable sources. 1. $1,057
2. Earned income $0 plus $350. Enter total. 2. 350
3. Set amount. 3. 1,000
4. Enter the larger of line 2 or 3. 4. 1,000
5. Enter the standard deduction for a single person: 5. 2,080
   - Basic standard deduction: $2,080
   - Over age 65 or blind: $3,280
   - Over age 65 and blind: $4,480
6. Enter the smaller of line 4 or 5. 6. $1,000

Because line 1 ($1,057) is more than line 6 ($1,000), Katrina is required to file an Oregon return.

Part-year residents and nonresidents

Amounts apply to Oregon-source gross income and gross income received while an Oregon resident.

You must file an Oregon return if:

Your filing status is:	And your Oregon gross income is more than:
Single, can be claimed on another's return	$1,000*
Single	$2,080
Married/RDP filing joint	$4,160
Married/RDP filing separate	$2,080
If spouse/RDP claims standard deduction	$2,080
If spouse/RDP itemizes deductions	-0-
Head of household	$3,345
Qualifying widow(er)	$4,160
** The larger of $1,000 or your earned income plus $350, up to your standard deduction amount.*	

If your Oregon income is less than your standard deduction, you are not required to file a return.

If you have Oregon state income tax withholding and aren't required to file a return, you still must file a return to claim a refund of withholding.

Individual Taxpayer Identification Number

The Internal Revenue Service (IRS) issues individual taxpayer identification numbers (ITINs) to taxpayers and their dependents who do not have Social Security numbers. If you have your own Social Security number, **do not** apply for an ITIN, use your Social Security number. If you already have an ITIN, enter your ITIN wherever your Social Security number is requested.

Requesting an ITIN from the IRS

You must file your federal return and attach Form W-7, *Request for ITIN*. The IRS will issue an ITIN, associate the ITIN with your return, and process your return. For Form W-7, go to the IRS website at www.irs.gov or call 1-800-829-1040.

Filing your Oregon return before receiving your ITIN

You may file your Oregon return without a Social Security number (SSN) or ITIN. Please follow these instructions if you, your spouse/RDP, or your dependents do not have an ITIN when you file your Oregon return:

1. Complete and attach a copy of each ITIN application (federal Form W-7) to your **federal** tax return. File your 2013 federal tax return before April 15, 2014.
2. On your Oregon tax return, write "ITIN applied for" wherever the Social Security number (SSN) is required for you and/or your family members who have applied for an ITIN. You do not need the ITIN(s) to file your Oregon tax return. Do not attach your ITIN application to your Oregon tax return.
3. File your 2013 Oregon tax return before April 15, 2014.
4. The IRS will send you a letter with your ITIN information. We need this information to issue your refund and so your future tax payments will be correctly applied to you. **Refunds will not be issued without a valid SSN or ITIN.** Please send us your:
   - Name (and the name of your spouse/RDP and dependents if they applied for an ITIN),
   - Current address,
   - Previous SSNs or ITINs used when filing an Oregon return (if any), and
   - A copy of each of the letters you receive from the IRS with the ITINs for you, your spouse/RDP, or your dependents.

Send this information to:

Oregon Department of Revenue
PO Box 14999
Salem OR 97309-0990

Military personnel filing information

Military personnel are usually domiciled in the state where they joined the service, but they can change their domicile. Military assignment does not change domicile unless other actions are taken.

As a member of the armed forces, you may establish a new domicile during a tour of military duty if you meet certain requirements. Domicile and residency are explained in the residency section on page 16. **Note:** Are you the spouse/RDP of a military member? See **Military spouses/RDPs** on page 26.

This information will help you file your Oregon individual income tax return.

Nonresidents stationed in Oregon

Oregon does not tax your military pay if you're stationed in Oregon and domiciled in another state. You

do not need to file an Oregon return unless you had other income from an Oregon source or had Oregon tax withheld from your pay. Examples of Oregon-source income include:

- Wages from a job held on off-duty hours, or
- Earnings from an Oregon business or rental property.

Note: Nonresidents' interest income from an Oregon bank account generally is not taxable by Oregon.

If you had Oregon withholding from your military pay, you should file to claim a refund. You should also contact your pay clerk to stop withholding Oregon taxes if Oregon is not your state of domicile.

How to file. Use Form 40N. Enter your military income on line 8 in the federal column only. **Do not enter your eligible military pay in the Oregon column.** Report any other income taxable by Oregon in the Oregon column.

On line 37F, subtract the military wage income you reported in the federal column on line 8F and identify with subtraction code 319. On line 37S, enter zero. It is important to enter your military pay this way because it affects the amount of deductions and credits you're entitled to claim. Write "Military Nonresident" at the top of your Form 40N in blue or black ink.

If you filed a joint federal return, file a joint Oregon return. File Form 40N. Don't report your military income in the Oregon column, but you must include any other income taxable to Oregon.

If your spouse/RDP is also domiciled outside Oregon, see page 27.

National Guard and armed forces reserves. Nonresident members of the National Guard or reserves will be treated the same as any other nonresident military member working in Oregon. National Guard members and reservists are usually domiciled where they live, but they could be domiciled in another state if they have retained a prior domicile and have not established a domicile where they are living. See **Nonresidents stationed in Oregon** above if domiciled outside Oregon.

Example 1: Selina is a nonresident of Oregon in the U.S. Army stationed in Portland. She has no other Oregon-source income and doesn't have Oregon income tax withheld from her military pay. Selina is not required to file an Oregon return.

Example 2: Jared is a nonresident of Oregon in the U.S. Coast Guard stationed in Astoria. In his off-duty hours he works part-time for an Oregon employer. Because Jared has Oregon income other than his military wages, he will file Oregon Form 40N for a nonresident. For instructions on how Jared will complete his Oregon Form 40N, see **Nonresidents stationed in Oregon**.

Oregon residents stationed outside Oregon

Oregon residents who enter the armed forces from Oregon do not lose their Oregon domicile merely by being stationed outside Oregon. However, for income tax purposes, if you meet certain requirements you may be considered a nonresident and will not have to pay Oregon tax on your military pay.

Requirements. If you meet all three of the following requirements, you are treated as a nonresident for Oregon tax purposes:

1. You did not have a permanent residence in Oregon for yourself or your family during any part of the tax year, and
2. Your permanent residence was outside Oregon during the entire tax year, and
3. You spent less than 31 days in Oregon during the tax year.

If you meet these three requirements, you are treated as a nonresident for Oregon tax purposes and Oregon won't tax your military pay. If you have Oregon income tax withheld from your military pay, you should file an Oregon nonresident tax return to get a refund of withholding.

You will owe Oregon tax only if you had income from another Oregon source. This income may be from an Oregon property sale, a business, or rental property located in Oregon.

How to file. Use the same procedure described previously under "How to file" for nonresidents stationed in Oregon.

If you do not meet all three requirements above, your military pay and all other income is subject to Oregon tax. You must file an Oregon individual income tax return Form 40. See page 26 for the military pay subtractions you may be able to claim.

Withholding exemption. You have the option to stop Oregon withholding from your military pay if all of the following are true:

- You had a right to a refund of all 2013 Oregon income tax withheld because you had no tax liability, and
- You expect a refund of all 2014 Oregon income tax withheld because you think you won't have any tax liability, and
- You expect to be stationed outside of Oregon all of 2014.

If all of the above are true and you do not want Oregon tax withheld from your military pay, you must file a Form W-4. This Form W-4 is for Oregon tax purposes only and is in addition to your federal Form W-4.

When completing a Form W-4 for Oregon only, write "exempt" on line 7. At the top, write "For Oregon Only—Stationed Outside Oregon" in blue or black ink. Give this Form W-4 to your pay clerk.

Military pay subtractions

You may qualify for more than one subtraction for U.S. military pay. To be eligible for the subtractions, the military pay must be included in federal adjusted gross income (AGI). Active duty pay, reenlistment bonuses, guard and reserve annual training, weekend drills, and inactive duty training are all military pay.

The Oregon military pay subtractions are:

Stationed outside Oregon. As of August 1, 1990, you can subtract military pay earned while stationed anywhere outside Oregon until the date the president sets as the end of combat zone activities in the Persian Gulf Desert Shield area. The date was not set when this material was printed. You are not required to be stationed in a designated combat zone to be eligible for this subtraction.

Guard and reserve away from home. Guard members and reservists assigned away from home for 21 days or longer can subtract their military pay earned during this time.

Other military pay. You can subtract any remaining taxable military pay after removing the above subtractions, up to $6,000.

Total subtraction. You may qualify for more than one military pay subtraction. However, your total subtraction can't be more than the total military pay included in federal AGI. The following examples show the military pay subtractions described above.

Example 3: Seth, an Oregon resident, enlisted in the Navy. He earned $10,000 of active duty pay in Spain and $8,000 of military pay inside Oregon during the year. He included the $18,000 in his federal AGI. Seth's total military pay subtraction is $16,000. Seth can subtract the $10,000 earned outside Oregon and $6,000 of his military pay earned in Oregon. Seth will file Oregon Form 40 and claim his military pay subtraction on line 18 using numeric code 319.

Example 4: Brett is an Oregon resident and files jointly with his wife who lives and maintains a residence in Oregon. Brett served in a designated combat zone for five months this year and earned $8,000 in combat pay. He served in Germany for the rest of the year and earned $15,000 of military pay. The president did not declare an end to combat zone activities this year. Because Brett excluded his combat pay on his federal return, he cannot subtract it on his Oregon return. Therefore, Brett's Oregon subtraction is limited to the $15,000 of military pay earned outside Oregon and included in federal AGI. Brett and his wife will file Oregon Form 40 and claim the subtraction on line 18 using numeric code 319.

Example 5: Gertrude and Merlin are married, filing a joint return. Both are Oregon residents. Gertrude was on active duty overseas (not in a combat zone) this year. She had $21,000 active duty pay. Merlin served in the Oregon National Guard and was away from home overnight from April to July and then again for two weeks in November. He served in Oregon when away from home. Merlin earned $1,500 military service pay for his weekend drills. He also earned $8,000 while away from home from April to July and $1,000 for the two weeks in November.

Gertrude and Merlin will include $31,500 of military wages in their federal AGI. Then they will determine their Oregon subtraction.

1. Stationed outside Oregon: All $21,000 of Gertrude's active duty pay is eligible for this subtraction because she was stationed outside Oregon.
2. Guard and reserve away from home: $8,000 of Merlin's pay is eligible for this subtraction because he was away from home for more than 21 days consecutively from April to July. The two weeks he was away from home in November doesn't qualify.
3. Other military pay: Gertrude doesn't have any other military pay not already eligible for the other subtractions. Merlin's remaining military pay is the $1,500 he earned for weekend drills and the $1,000 he earned for two weeks in November. The total is $2,500 which is less than the $6,000 maximum allowed per military member so he is allowed to subtract all of it.

Combined, Gertrude and Merlin have a military pay subtraction of $31,500 because all of their military pay is eligible for one of Oregon's military pay subtractions. They will file Oregon Form 40 and claim the subtraction on line 18 using numeric code 319.

Military spouses/RDPs

If you're a military spouse/RDP, you may have a different domicile than where you live. See **Residency** on page 16 for more information about determining your domicile.

Your income may not be taxable to Oregon if your spouse/RDP is stationed in Oregon and you and your spouse/RDP are domiciled in another state. Your income may not be taxable if you are domiciled in Oregon, but living in another state where your spouse/RDP is stationed.

Nonresident spouse of military member stationed in Oregon

The federal Military Spouse Residency Relief Act prevents Oregon from taxing your Oregon wages if you meet certain criteria. If you moved to Oregon only to be with your spouse who is stationed here and you both are domiciled outside of Oregon, your Oregon wages are exempt from Oregon tax and are not Oregon-source income. **Note:** This exemption doesn't apply to spouses who are also members of the military.

You are not required to file an Oregon return unless you had other income from an Oregon source or Oregon taxes withheld from your pay. Examples of Oregon-source income:

- Nonmilitary wages or business income earned by your spouse (the military member) in Oregon,
- Earnings from an Oregon rental property.

If you file, use Form 40N. Include all of your wages on line 8 in the federal column **only.** Don't include your exempt income (or your spouse's military pay) in the Oregon column. There is no further adjustment for your exempt wages. For information about the military pay subtraction for your spouse's military pay, see **Nonresidents stationed in Oregon** on page 24.

If Oregon taxes were withheld from your exempt wages, you should file Form W-4 with your employer. At the top, write "For Oregon Only—exempt military spouse" and write exempt on line 7. Your employer may require proof that you qualify for the exemption.

Oregon resident spouse/RDP of military member stationed outside Oregon

Do you qualify to be treated as a nonresident because you meet the "special case Oregon resident" requirements? If so, you are not taxed on your out-of-state wages or self-employment income even if the other state cannot tax you because of the federal Military Spouse Residency Relief Act. You don't have to file unless you had Oregon tax withheld or other Oregon source income, such as rental income or retirement pay. If you file, use Form 40N.

Copy of federal return

When filing Form 40 or Form 40N, include a copy of your federal Form 1040, 1040A, or 1040EZ, whichever is applicable. This is required even if you owe no Oregon tax or are only requesting a refund of tax withheld.

Filing and payment date

The due date for filing a calendar year return and payment of the tax is April 15. If the 15th falls on a Saturday, Sunday, or legal holiday, the due date is the next working day of the month. If you are outside the United States on the due date, the due date is extended by two months.

If you owe tax on your Oregon income tax return, you must pay the entire amount by the due date. Interest and penalty will be added to all unpaid balances.

Extension for filing your return

You can get an extension to file your return but not to pay your tax. You must pay the entire tax by the due date to avoid interest and penalty charges.

You are allowed the same extension period for Oregon as allowed for your federal return. Do you need an extension to file only your Oregon return? Or, do you have a federal extension but need to make a payment to Oregon with your extension? Use Oregon Form 40-EXT. Go to our website to download the form or call us to order the form.

Were you stationed in a combat zone or contingency area? Did you receive additional time to file your federal return and pay your 2013 tax? If so, Oregon allows the same additional time to file and pay your Oregon tax. Write "Combat Zone" in blue or black ink at the top of the return.

Interest and collections

- If you owe taxes while on active duty (Title 10), you may qualify for a reduced interest rate while on active duty and up to six months after. The interest rate limit is 6 percent. File a claim for a reduced rate of interest by writing to us within six months after your active duty service has ended. Include a copy of orders showing your active duty status and dates.
- If your active duty service (Title 10) has materially affected your ability to pay your Oregon tax debt, you may qualify for relief of interest and collection activity while on active duty and up to six months after. File a claim for relief by writing to us within six months after your active duty service has ended. Relief may not be available for the period prior to receiving your request. Include a copy of orders showing your active duty status and dates.
- You may qualify for relief of interest and collection activity under Oregon law if you meet the following requirements:
  - — You have a tax liability that came due while on active duty under Title 10, and
  - — You have been on active duty for more than 90 consecutive days, and
  - — Your active duty service (Title 10) occurred on or after September 11, 2001, and
  - — You notify us within six months after your active duty service has ended.

- Guard members called into active state service by the governor under Title 32 may qualify for relief of interest and collection activities on any tax owed prior to active state service. Send a written request for relief to the department within six months after the active state service has ended. Include a copy of your orders.

To get relief, you have to notify us that you are on active duty or send a written request. Relief may not be available for the period prior to receiving your notification. Contact the department for more information.

Limited liability companies

Oregon LLCs and foreign LLCs doing business in Oregon are taxed and classified the same as for federal income tax purposes. Oregon follows federal tax treatment.

- LLCs that choose to be taxed as corporations file the same forms as corporations (Form 20 excise tax or Form 20-I income tax).
- LLCs with two or more members who choose to be taxed as partnerships file using the same form as partnerships (Form 65).
- A single-member LLC that chooses to be taxed as a sole proprietor files federal Schedule C, Schedule E, or Schedule F with their individual income tax return.

For specific questions on workers' compensation coverage requirements for LLCs, contact the Oregon Workers' Compensation Division in Salem at 503-947-7810, toll-free from an Oregon prefix at 1-800-452-0288, or www.oregon.gov/dcbs.

Contact the Oregon Department of Employment in Salem for information on how LLCs are treated under Oregon's unemployment insurance laws. Call 503-947-1488, select "5" from the menu, and ask for a status examiner. The Department of Employment's website is www.oregon.gov/employ.

For information on organizing an LLC, contact the Corporation Division of the Secretary of State's office in Salem at 503-986-2200, or go to www.filinginoregon.com.

Composite tax returns ORS 314.778

Filing a composite tax return

A pass-through entity (PTE) will file Form OC, *Oregon Composite Return,* for its electing nonresident owners.

For forms and instructions, go to www.oregon.gov/dor.

Pass-through entity owner payments ORS 314.781, 314.784

PTEs are required to withhold tax for nonresident owners who don't join the composite return.

The PTE doesn't withhold tax if the PTE's owners are also pass-through entities.

Form OR-19 and instructions can be found on our website.

Real estate tax payments ORS 314.258

Escrow agents, and in some cases attorneys ("authorized agents"), are usually required to withhold and remit tax payments for any taxes that may be due when a nonresident sells Oregon property. The agent handling the closing is required to send payment that is the lesser of:

- Four percent of the consideration;
- The net proceeds from the sale; or
- Eight percent of the gain includable in Oregon taxable income.

There are exceptions to this requirement. For more information see Form OR-18 and its instructions on our website.

Appeal procedures

If you disagree with an Oregon Department of Revenue action, you have the right to appeal. The following situations commonly start the appeal process:

- You disagree with a Notice of Deficiency or Notice of Deficiency Assessment.
- You disagree with a notice adjusting the refund you claimed.
- You disagree with our notice based on a federal audit report or an audit by another state that you are appealing.
- You disagree only with the penalties or interest charges shown on our notice.
- You disagree with the interest on underpayment of estimated tax.

Include a completed *Tax Information Authorization and Power of Attorney for Representation* form with your letter of appeal if you want someone else to represent you in your appeal.

Appealing a Notice of Deficiency to the Oregon Department of Revenue

If you disagree with a Notice of Deficiency, you have the right to appeal. **You must appeal in writing within 30 days of the date on our notice.**

You have two appeal options. If you decide to appeal, choose one of the options listed below:

Option A: Written objection

Send a written objection and tell us why you disagree with the Notice of Deficiency. Write "Written Objection" at the top of your letter. Include any new information you have. **Within 30 days** of the date of the notice, send your letter to:

Oregon Department of Revenue
PO Box 14725
Salem OR 97309-5018

When you write, include:

- Your full name,
- Your current mailing address,
- Your Social Security number (SSN) or individual taxpayer identification number (ITIN),
- The tax year(s) involved,
- A detailed explanation of why you are appealing,
- Any new information you want us to consider, and
- A telephone number where you can be reached during the day.

Keep us informed of any changes to your address or telephone number.

We will review your letter, try to resolve the matter, and send you a written decision. If an auditor adjusted your return, that auditor will review your letter including any information you provide and send you a written decision. If you disagree with the decision, you may continue your appeal and will receive new appeal instructions.

Option B: Conference

In writing, request a conference and tell us why you disagree with the Notice of Deficiency. Write "Conference Request" at the top of your letter. Include any new information you have. **Within 30 days** of the date of the notice, send your letter to:

Oregon Department of Revenue
PO Box 14725
Salem OR 97309-5018

When you write, include:

- Your full name,
- Your current mailing address,
- Your Social Security number (SSN) or individual taxpayer identification number (ITIN),
- The tax year(s) involved,
- A detailed explanation of why you are appealing,
- Any new information you want us to consider, and
- A telephone number where you can be reached during the day.

Keep us informed of any changes to your address or telephone number.

A conference officer will discuss the matter with you or with someone you choose to represent you, usually by telephone. The conference officer will send you a written decision. You may choose to receive our decision by either regular or certified mail. If you disagree with the decision, you may continue your appeal and will receive new appeal instructions.

Appealing a Notice of Deficiency Assessment to the Oregon Tax Court

If you disagree with a Notice of Deficiency Assessment, you have the right to appeal. However, you cannot appeal tax that you said you owed with your return. You must appeal to the Magistrate Division of the Oregon Tax Court **within 90 days** of the date of the Notice of Deficiency Assessment. Complaint forms for appealing to the Magistrate Division are available from the Tax Court:

Oregon Tax Court
Magistrate Division
1163 State Street
Salem OR 97301-2563
(503) 986-5650
TTY (503) 986-5651
www.courts.oregon.gov/tax

Mail a signed complaint form along with the filing fee and a copy of the *Notice of Deficiency Assessment* to the Magistrate Division of the Oregon Tax Court (address listed above).

Further appeal rights

For personal income tax, withholding tax, corporate income or excise tax, fiduciary income tax, or timber tax:

If you pay your Notice of Deficiency in full, your deficiency is considered assessed either on the date of your payment or 30 days from the date of the notice, whichever is later.

If you do not file a timely appeal, you have **two years from the date your liability is paid in full to appeal** the assessment. Appeal to the Magistrate Division of the Oregon Tax Court.

There are some cases where we may consider your case even if you did not file a timely appeal. Please call us to see if you meet the conditions for "doubtful liability" relief.

For any other Department of Revenue tax program:

For any other tax program administered by the Department of Revenue, you must appeal **within 90 days of the assessment date.** Otherwise, the assessment is final and cannot be changed unless you meet the conditions for "doubtful liability" relief. For more information, call us.

Resolving issues without appealing to the Tax Court

You may be able to resolve certain issues without appealing to the Magistrate Division. Write to us if your disagreement concerns one of the following issues:

- The date or amount of payments made to your account.
- A request for waiver of the penalty or interest charges.
- The charges for interest on underpayment of estimated tax.
- A withholding adjustment.

In writing, tell us why you disagree or why penalty or interest should be adjusted. Include any new information you have. Most disagreements concerning these issues can be resolved with us. Generally, we do not waive interest charges.

Send your letter to:

Oregon Department of Revenue
PO Box 14725
Salem OR 97309-5018

Interest charges

Appealing a deficiency or an assessment will not stop interest from accruing on the taxes owed. Interest is figured from the day after the due date of the original return, excluding extensions, to the date of payment. Interest is charged even if you have filed a valid extension. If your appeal reduces the tax due, the interest charges will also be reduced.

Paying your liability during appeal

You may pay your balance due at any step of the appeal process. Payment does not mean you agree with the notice. Payment stops interest charges from accruing on your liability. If you win your appeal, you will receive a refund of the overpayment, including interest.

If you don't pay before we assess your account, a 5 percent failure-to-pay penalty will be added to your balance due.

Note: See page 15 for payment options.

Appealing a refund adjustment notice

If you disagree with a notice of refund adjustment and you decide to appeal, choose **one** of the appeal options listed below.

Appealing a refund adjustment notice within the first 30 days to the Department of Revenue

Option A: Written objection

Send a written objection and tell us why you disagree with the notice of refund adjustment. Write "Written Objection" at the top of your letter. Include any new information you have. **Your written objection must be postmarked within 30 days of the date on our notice.** Send your letter to:

Oregon Department of Revenue
PO Box 14725
Salem OR 97309-5018

When you write, include:

- Your full name,
- Your current mailing address,
- Your Social Security number (SSN) or individual taxpayer identification number (ITIN),
- The tax year(s) involved,
- A detailed explanation of why you are appealing,
- Any new information you want us to consider, and
- A telephone number where you can be reached during the day.

Keep us informed of any changes to your address or telephone number.

We will review your letter, try to resolve the matter, and send you a written decision. If an auditor adjusted your return, that auditor will review your letter including any information you provide and send you a written decision. If you disagree with the decision, you may continue your appeal and will receive new appeal instructions.

Option B: Conference

In writing, request a conference and tell us why you disagree with the notice of refund adjustment. Write "Conference Request" at the top of your letter. Include any new information you have. **Your written request for a conference must be postmarked within 30 days of the date on our notice.** Send your letter to:

Oregon Department of Revenue
PO Box 14725
Salem OR 97309-5018

When you write, include:

- Your full name,
- Your current mailing address,

- Your Social Security number (SSN) or individual taxpayer identification number (ITIN),
- The tax year(s) involved,
- A detailed explanation of why you are appealing,
- Any new information you want us to consider, and
- A telephone number where you can be reached during the day.

Keep us informed of any changes to your address or telephone number.

A conference officer will discuss the matter with you or with someone you choose to represent you, usually by telephone. The conference officer will send you a written decision. You may choose to receive our decision by either regular or certified mail. If you disagree with the decision, you may continue your appeal and will receive new appeal instructions.

Appealing a refund adjustment notice after the 30th day to the Oregon Tax Court

You must file a complaint with the Magistrate Division of the Oregon Tax Court no later than:

- 90 days after the date of the written objection response or conference decision, or
- 120 days from the date of the notice if you do not send a written objection or request a conference.

If you fail to file a complaint within the stated time periods, your appeal rights will expire and the adjustments cannot be changed.

Complaint forms for appealing to the Magistrate Division are available from the Tax Court:

Oregon Tax Court
Magistrate Division
1163 State Street
Salem OR 97301-2563
(503) 986-5650
www.courts.oregon.gov/tax

Mail a signed complaint, filing fee, and copy of the **refund adjustment notice** to the Magistrate Division of the Oregon Tax Court (address listed above).

Appealing a deficiency based on federal audit reports or audit reports of other states

Do you have an appeal in progress with the Internal Revenue Service (IRS) or another state? If so, you may have extra time to file an appeal with the Magistrate Division of the Oregon Tax Court. To see if the appeal rights apply to you, answer the following questions:

1. Did you receive an Oregon billing on the same item billed by the IRS or another state?
2. Did you file a timely appeal with the IRS or another state?

If you answered "no" to either question, use the appeal procedures included with your Oregon notice.

If you answered "yes" to both questions, you need to send proof of your IRS or other state appeal to the Department of Revenue. Generally, this will be a copy of the IRS or other state's notice plus a copy of your written appeal request.

The time allowed for filing your proof of federal or other state's appeal varies.

Did you receive a **Notice of Deficiency** from us? If so, send us proof of your IRS or other state appeal within 30 days of the date on the Notice of Deficiency. Your account will be assessed without penalty and held until the appeal with the IRS or other state is resolved. **Note:** Interest will continue to accrue on any unpaid tax.

Did you receive a **Notice of Deficiency Assessment** from us before sending us proof of the appeal? If so, send us proof of your federal or other state appeal as soon as possible.

After you file proof of your appeal, we will delay any further action on your account until the appeal process is completed. **Note:** Interest will continue to accrue on any unpaid tax.

You must notify us within 30 days of the final resolution of your appeal with the IRS or the other state. We will review the information and determine whether any adjustments need to be made to your Oregon tax return. You will receive written notification of our determination. If you disagree with our determination, you may appeal to the Magistrate Division of the Oregon Tax Court. Your complete appeal rights will be explained with the written determination. You must appeal within 90 days of our written determination.

Where to write

When you write to us, include:

- Your full name,
- Your current mailing address,
- Your Social Security number (SSN) or individual taxpayer identification number (ITIN),
- The tax year(s) involved,
- A detailed explanation of why you are appealing,
- Proof of your IRS or other state appeal,
- Any new information you want us to consider, and
- A telephone number where you can be reached during the day.

Keep us informed of any changes to your address or telephone number.

Send your letter to:

Oregon Department of Revenue
PO Box 14725
Salem OR 97309-5018

Appealing penalty or interest

Waiver or reduction of penalty or interest

Do you feel you have reasonable cause for reducing penalty or interest? If so, write to us and ask for a waiver or reduction of penalty or interest. Generally, the department will not waive interest charges.

Written waiver request. You may ask for a waiver or reduction of part or all of the penalty and interest charges. Waiver criteria are outlined in the Oregon Administrative Rules (OAR) under OAR 150-305.145. You must send a written request to the department and explain which of the waiver criteria you feel you meet. Write "Waiver Request" at the top of your letter.

When you write to us, include:

- Your full name,
- Your current mailing address,
- Your Social Security number (SSN) or individual taxpayer identification number (ITIN),
- The tax year(s) involved,
- Which criteria you meet under OAR 150-305.145, and
- A telephone number where you can be reached during the day.

Keep us informed of any changes to your address or telephone number.

Send your letter to:

Oregon Department of Revenue
PO Box 14725
Salem OR 97309-5018

We will review your waiver request and let you know our decision in writing. If you disagree with the decision, you may continue your appeal and will receive new appeal instructions.

Conference request. If you disagree with our decision on your waiver request, you may ask us for a conference. In writing, request a conference and tell us why you disagree with the decision.

Write "Conference Request" at the top of your letter. Your written request for a conference must be postmarked within 30 days of the date of the decision letter.

When you write to us, include:

- Your full name,
- Your current mailing address,
- Your Social Security number (SSN) or individual taxpayer identification number (ITIN),
- The tax year(s) involved,
- Which criteria you meet under OAR 150-305.145, and
- A telephone number where you can be reached during the day.

Keep us informed of any changes to your address or telephone number.

Send your letter to:

Oregon Department of Revenue
PO Box 14725
Salem OR 97309-5018

A conference is held with a department conference officer who reviews the decision with you or someone you choose to represent you. The conference is usually held by telephone.

After the conference, you will be notified in writing of the conference officer's decision on your waiver or reduction of penalty or interest request. The conference officer's decision is final and may not be appealed.

Appealing interest on underpayment of estimated tax

Appealing to the Oregon Department of Revenue

If you disagree with the interest we charged on underpayment of estimated tax (UND), you can write to us at the following address. Tell us why you disagree.

Oregon Department of Revenue
UND Team
PO Box 14725
Salem OR 97309-5018

We will review your request and send you a written decision. If you disagree with our decision, you can continue your appeal. You'll receive new appeal instructions with the decision letter.

Appealing to the Oregon Tax Court

Magistrate appeal. If you disagree with our decision, you can appeal to the Magistrate Division of the Oregon Tax Court. You must appeal to the Magistrate Division within 90 days of the date on our decision letter. Complaint forms for appealing to the Magistrate Division are available from the Tax Court:

Oregon Tax Court
Magistrate Division
1163 State Street
Salem OR 97301-2563

(503) 986-5650
www.courts.oregon.gov/tax

Mail a signed complaint form, filing fee, and a copy of our decision letter to the Magistrate Division of the Oregon Tax Court (address listed above).

Record-keeping requirements

Why is record keeping important?

- Keeping records of your income and deductions will help you prepare an accurate tax return and pay the correct tax.
- You must be able to prove all items on your return with adequate records or sufficient evidence. Keep records that verify the income, deductions, credits, and other items reported on your tax return. Estimates or approximations do not qualify as proof.
- Accurate records will help you if the department selects your tax return for examination. Usually, an examination will occur one to three years after a return is filed. It can be longer if you have had a federal audit. If you've kept good records, you can clear up any questionable items and easily arrive at the correct tax. If you haven't, you may have to spend time getting statements and receipts from various sources. You may also have to pay more tax if you can't prove the figures you used.

How should I keep my records?

You must keep accurate records, but no particular system is required for keeping them. Your records should contain all the information you used to figure your income, deductions, credits, and other items shown on your income tax return.

What records should I keep?

If you report an item on your tax return, you must have adequate records to verify it. Here's a partial list of records you should keep:

- Receipts and sales documents for deductible expenses on Schedule A, self-employment, farm, rentals, sale of assets, etc.
- Dated and signed receipts for any cash payments that might be deductible.
- Income statements, including Form W-2s for your wages and Form 1099s for interest, dividends, rents, and nonemployee compensation.
- All payroll records including copies of W-2s and 1099s issued.
- Pay statements if you have deductible expenses withheld from your paycheck.
- Receipts and certificates to verify Oregon tax credits claimed.
- Copies of your tax returns, including complete federal returns with all federal schedules.
- Copies of your "as if" returns if you were required to prepare them to claim a special filing status.
- Worksheets, summary statements, calendars, log books, journals, etc.
- Canceled checks, substitute checks or carbon copies of checks, bank deposit slips, and receipts.
- Checking and savings account statements for both personal and business accounts.
- If you deduct alimony payments, keep copies of canceled checks and the written separation agreement or the divorce, separate maintenance, or support decree.
- For property you own, keep the purchase price, any purchase expenses, the cost of any improvements, and any other basis adjustments, such as depreciation and deductible casualty losses. If you received property as a gift, you must have records that show the donor's adjusted basis just before the property was given to you, its fair market value on the date of the gift, and any gift tax paid on it.
- The sale of a capital asset (and certain other assets). This type of sale is reported as a capital gain or loss. Your records must show when and how the asset was acquired, how it was used, and when and how it was disposed of. Records must also show your cost or other basis, the gross selling price, and the expenses of the sale.
- Year-end statements showing total interest paid on loans, credit cards, mortgages, or notes.
- Statements and canceled checks, mortgage statements, and other documents for your real estate and personal property taxes paid.
- Proof of payment to your child care provider if you are claiming the Oregon Working Family Child Care Credit.

How do I document deductible expenses?

A receipt is the best evidence to prove the amount of an expense. A canceled check, together with a bill or invoice from the payee, ordinarily establishes the cost. However, a canceled check might not prove a business expense without other evidence to show that it was for a business purpose. All records should show:

- The date,
- The amount, and
- The purpose of the expense.

The expense must be an ordinary and necessary expense.

How do I document car or truck expenses?

You must have written records to verify vehicle expenses. To deduct car or truck expenses, you must be able to prove:

- The amount of each separate expense for a vehicle, such as the cost of purchase, capital improvements, lease payments, maintenance, and repairs.
- The mileage for each business or investment use of the vehicle and the total miles for the tax year.
- The date of the expense or use. For example, a current trip log.
- The business or investment reason for the expense or use of the vehicle.

Keep the proof you need for these items in an account book, diary, log, statement of expense, trip sheet, etc. Include all documents needed to verify the item.

How long should I save my records?

Keep your records as long as they are important for any tax law. Keep records that support an item of income or a deduction on your return at least until the statute of limitations expires for that return. A statute of limitations is the period of time after which no legal action can be brought. Usually this is three years from the date the return was filed, or two years from the date the tax was paid, whichever is later. Returns filed before the due date are treated as if they were filed on the due date.

Exceptions: There are times you should keep records longer, including the following:

- Keep records that support your basis in property for at least four years after you sell or dispose of the property (including all capital improvements).
- If you were audited by the federal government, Oregon has two years from the date we receive the federal audit report to review your Oregon return for adjustments.
- If you have employees, we recommend you keep all of your employment tax records for at least five years after the date the tax becomes due or is paid, whichever is later. This includes copies of Wage and Tax Statements (W-2s) and all payroll records.
- If you did not report some income and it is more than 25 percent of the income shown on your return, you may be audited within five years after the return was filed. If a return is false or fraudulent or if no return is filed, there is no time limit.

What if I do not have all of my records?

If records have been destroyed and your return is selected for review, the auditor will advise you about reconstructing your records.

What to do if you are audited

General information

We examine returns for several reasons. Many examinations are based on adjustments already made by the Internal Revenue Service (IRS), with which we share information. Other returns are selected because there are sections of tax law that require additional focus because of difficulties in tax law application.

Auditing is reviewing a return to make sure it was prepared correctly. If your return is chosen for an audit, it does not mean you made an error or are dishonest.

By law, we must keep your tax information private. People who prepare your return or represent you must also keep your information confidential. You have the right to know why we are asking for information, exactly how we will use any information you provide, and what might happen if you do not provide the information.

Our goal is to treat taxpayers fairly. We strive to be responsive to the issues and reasonable in our decisions and actions. We will explain any change to your return. We encourage you to ask about anything you do not understand.

For more information, read our publication *Your Rights as an Oregon Taxpayer.* See the publication on our website or call us to order it.

Types of reviews

Processing adjustments. Processing adjustments are corrections we make to a return while we process it.

Federal audits. These audits are based on information from the Internal Revenue Service (IRS). This information includes the IRS's CP2000 program and federal Revenue Agent Reports. The CP2000 program matches W-2 and Form 1099 information reported by payers to what is shown on a return. A Revenue Agent Report is a federal audit report showing adjustments the IRS made to a return. If you received either of these reports from the IRS, you need to determine if the changes made by the IRS affect your Oregon return. If they do, you should amend your Oregon return as soon as possible. Interest charges accrue until all tax is paid. If you do not amend your Oregon return, you may receive a notice from the department showing adjustments.

Correspondence audits. These are written requests asking you to confirm items on a return. The letter will explain what items are being reviewed and what we need to verify them. You will be asked to send copies of the documents to the auditor who will review the information and notify you of the results. Correspondence audits usually do not require a meeting with the auditor.

Field audits. These audits are more in-depth. They include the review of income and expenses from businesses, farms, partnerships, corporations, or rentals. Field audits usually require a meeting with the auditor. The time and place of the meeting will be arranged between you and the auditor.

What records will I need for the audit?

You'll get a letter from the department asking questions and requesting copies of specific documents. Answer the questions completely and send copies of the documents by the deadline in the letter. It's important that you keep a complete copy of your state and federal tax records. You should also keep a copy of your response.

If you get a letter asking you to make an appointment, contact the auditor who sent the letter. We try to schedule audit appointments at your convenience. It may be held at your home or office, at your representative's office, or at one of our field offices.

The letter will explain the records needed for the audit. Organize the information for the appointment. The auditor may ask you to leave the records while the audit is being conducted. You may ask for a receipt for the records you leave.

Generally, your return is examined in the district where you live. But if the return can be examined more quickly and easily in another district (such as where the books and records are located), you may ask to have the audit transferred.

Who can represent me?

Throughout any audit you can represent yourself, have someone accompany you, or designate someone to represent you. You may represent yourself in all stages of your audit and appeal. However, if your case is hard to understand or involves many issues, you may want someone to help you. Also, if someone else prepared the return, you may want their help. If you designate someone to represent you, he or she will be able to make decisions for you. People who can represent you are Oregon-licensed:

- Lawyers;
- Public accountants or certified public accountants;
- Tax consultants;
- Enrolled agents.

Out-of-state CPAs may practice in Oregon if they meet the substantial equivalency requirements of ORS 673.010:

1. Licensed in another state;
2. Have an accredited baccalaureate degree with at least 150 semester hours;
3. Passed the Uniform CPA exam; **and**
4. Have a minimum of one year of experience.

If you own a business and have an employee who regularly does your tax work, that employee can also represent you.

You must give written authorization to a person you want to represent you. Use our *Tax Information Authorization and Power of Attorney for Representation* form. The auditor handling the case can provide the authorization form. Or, you can download it from our website, or call us to order a copy.

What if I disagree with the audit?

When we propose any changes to your return, we will explain the reasons for them. It's important that you understand why we propose any changes. Please ask about anything that is unclear to you.

If you disagree with the action of the department, you can appeal. Appeal rights will be included with the notice you receive. See pages 28–32.

What if the IRS or another state has audited me?

We have an agreement with the IRS to exchange tax return information. If the IRS audits an Oregon taxpayer, we may receive a copy of that information. If your federal return or the return you filed with another state is adjusted, you should amend your Oregon tax return if that adjustment also affects your Oregon return.

If you were previously audited by the IRS and the notice you receive from us is different, send a copy of the final audit adjustments or cancellation from the IRS to us.

If you filed an appeal with the IRS or the other state and you get a notice from us, send a copy of the IRS or other state appeal notification. We will suspend further action until your case is resolved.

You have two years to claim a refund of Oregon tax due to the audit adjustment. This is true even if the normal refund statute has expired.

Filing a return after tax is assessed

When you do not file a tax return but were required to file, we will "assess" your tax. This means we compute

how much tax you owe based on information we have available. You will then receive a Notice of Determination and Assessment.

Even if we have assessed your tax for one or more years, you may still file returns for those years.

Why you should file

We compute your tax assessment using the information available to us about your income, filing status, exemptions, and withholding or estimated tax payments. Because we don't have all your tax information, we may not be able to give you all the deductions or credits you may be entitled to. Once you file a tax return, we may be able to change the tax we assessed.

You may receive a refund

If your withholding and/or estimated tax payments add up to more than the tax due, we may be able to refund the excess to you. However, there are time limits. If you paid more tax than you should have, a refund will be allowed only if you file your return within three years of the due date of the original return not including extensions.

For example, the return for 2012 was due April 15, 2013. Three years after that date is April 15, 2016. To receive a refund of excess tax payments for 2012, your return must be postmarked on or before April 15, 2016.

Where to mail your return after tax is assessed

Send your return to:

Oregon Department of Revenue
PO Box 14600
Salem OR 97309-5049

When you file your return, write "F.A.S.T. Unit" at the top of your return. Please use blue or black ink. This will help us process your return more quickly.

Reviewing your return

After reviewing your return, if we agree with the tax you show, we will change the tax assessed. If the income, deductions, credits, or payments shown on your return do not match our information, we will notify you. The notice we send will explain our adjustments and what to do if you disagree.

Your return needs to include information about filing status, exemptions, income, deductions, credits, tax, and payments. It must be signed and include a statement that, to the best of your knowledge and belief, is true, correct, and complete. The full statement is printed on the forms provided by us and appears directly above the signature lines. If you change this statement on the form, your return may not be accepted. Your return also may not be accepted if:

- It contains a frivolous argument concerning the payment of taxes, or
- You file a return you know is not true or correct.

You will receive a Notice of Rejection if your return is not accepted. This notice can be appealed to the Magistrate Division of the Oregon Tax Court **within 90 days** of the date of the notice, but only if your return was sent to us within 90 days of the date on the Notice of Determination and Assessment.

Appealing the Notice of Determination and Assessment to the Oregon Tax Court

You may also choose to file an appeal with the Magistrate Division of the Oregon Tax Court. Your appeal must be made within 90 days of the date of the Notice of Determination and Assessment or within two years after the tax, penalty, and interest shown on the notice is paid in full. If you file an appeal with the Magistrate Division, you will usually be required to file a tax return before the court will change our assessment.

You can get a complaint form for filing an appeal at:

Oregon Tax Court
Magistrate Division
1163 State Street
Salem OR 97301-2563
(503) 986-5650
TTY (503) 986-5651
www.courts.oregon.gov/tax

Within 90 days of the date on your notice, mail the following items to the address above:

- Your completed and signed complaint form, and
- Your filing fee, and
- A copy of your Notice of Determination and Assessment.

Appealing does not stop interest from being charged on the tax you owe. If you appeal and your tax assessment is reduced, the penalty and interest charges will also be reduced.

Paying your assessment during the appeal process

You can pay your balance due at any step of the appeal process. Payment does not mean you agree with the assessment. Payment stops more interest from being charged. If you pay, you can still appeal any time within two years of the date you pay the tax, penalty, and interest shown on the Notice of Determination and Assessment. See page 15 for payment options.

Requesting a waiver of penalty or interest

You can ask for a discretionary waiver of part or all of the penalty and interest charges. Waiver criteria are outlined in Oregon Administrative Rules under 150-305.145. Most penalty and interest charge disagreements can be resolved with us. For complete information on your appeal rights when requesting a discretionary waiver, see **Appealing penalty or interest** on page 32.

If you believe part or all of the penalty and interest charges should be adjusted, write to:

Oregon Department Revenue
PO Box 14725
Salem OR 97309-5018

Why Oregon needs a federal return

Most information to support the amounts on your Oregon return comes from your federal return. Even when Oregon law differs from federal law (such as additions, subtractions, and credits), we still need information from your federal return.

All Oregon tax returns require a copy of the front and back of federal Form 1040, 1040A, 1040EZ, or 1040NR including any "as if" returns. If you're not filing a federal return, include a "substitute" federal return with your Oregon return. Fill out the return as if it were an actual federal return. Do not send copies of your federal schedules. Keep them with your tax records. We may ask for copies later. If you file an electronic return, we will receive your federal return with your Oregon return.

Income

Full-year residents (Form 40). You are taxed on income from all sources.

Part-year residents (Form 40P). You are taxed on income from all sources earned or received **while an Oregon resident.** For the period of time you were not an Oregon resident, Oregon taxes only certain income **from Oregon sources.** See "Nonresidents" below.

Nonresidents (Form 40N). You are taxed on income from Oregon sources. This includes income shown on your federal return from Oregon wages or Oregon fees or for services performed in Oregon. Other income from Oregon sources includes:

- Businesses, S corporations, partnerships, and limited liability companies taxed as partnerships located or doing business in Oregon.
- Unemployment compensation received because of an Oregon job.
- Severance pay you received because of an Oregon job.
- Oregon farms.
- Oregon estates and trusts.
- Sales of Oregon property.
- Rents and royalties for use of Oregon property.

Note: Community property income. Oregon is not a community property state. If you're a resident of Oregon and your spouse/RDP is a resident of a state with community property laws, you may be taxed on part of your spouse's/RDP's income. Community property laws in the state where your spouse/RDP lives determine if you are taxed on any of your spouse's/RDP's income. Check with the state where your spouse/RDP lives for more information about community property.

Air carrier employees OAR 150-316.127-(E)

Nonresidents. You are exempt from Oregon tax on wages earned while working on aircraft in Oregon, if you meet *all* of the following qualifications:

- You are a nonresident of Oregon; and
- You perform regularly assigned duties on aircraft in Oregon and at least one other state as an employee of an air carrier; and
- Your scheduled flight time in Oregon is 50 percent or less of your total scheduled flight time during the calendar year.

Additionally, the air carrier you work for must provide:

- Interstate or foreign air transportation of passengers or property by aircraft as a common carrier for compensation; or
- Interstate or foreign transportation of mail by aircraft.

If you are a federal, state, or local government employee, you may not exclude your income under this section. (U.S. Postal Service employees are considered employees of the federal government.)

If you meet all of these qualifications, file Form 40N and write "air carrier" at the top of your return in blue or black ink. Show your income is exempt by excluding it from the Oregon column. If all of your wages are exempt, enter a zero in the Oregon column.

Example 1: Leslie is a nonresident who works as a pilot for an Oregon-based corporation, transporting the corporation's executives to various job locations in the United States. Leslie is not exempt from Oregon tax because she does not work for an air carrier that provides air transportation for compensation. Her wages are subject to Oregon tax to the extent services are performed in Oregon.

Example 2: George is a nonresident who works as an office manager for an air carrier. Each calendar year, he works as a substitute pilot outside of Oregon in order to log the minimum amount of flight time required to retain his pilot's license. George does not qualify as exempt from Oregon tax because his "regularly assigned duties" are not on an aircraft, but as a manager in an office.

Example 3: Allison is a nonresident and works as a flight attendant for Delta Airlines. She regularly works on flights in California, Oregon, and Washington. Her scheduled flight time in Oregon amounts to 35 percent of her total scheduled flight time this year. Because Allison meets the qualifications mentioned above, she can exclude, from the Oregon column, all of her wages from Delta Airlines on her Oregon return.

To stop withholding of Oregon income tax from your exempt wages, complete Form W-4 and write "exempt" on line 7. At the top of Form W-4 write "For Oregon Only–Air Carrier Employee." Give this Form W-4 to your payroll clerk.

Alimony received

Full-year residents. Oregon taxes all alimony you received during the year.

Part-year residents. Oregon taxes any alimony you received for the part of the year you were a resident of Oregon.

Nonresidents. Oregon does not tax any alimony you received while a nonresident of Oregon.

Business income or loss

Full-year residents. Oregon taxes all of your business income (or allows your business loss) received during the year.

Part-year residents. Oregon taxes all of your business income (or allows your business loss) while you're an Oregon resident. Add to this figure the amount of income (or loss) from an Oregon business while a nonresident.

Nonresidents. Oregon taxes your income (or allows your loss) from an Oregon business. This includes apportioned business income and allocated nonbusiness income from sole proprietorships.

Gain, loss, and distributions

Capital gain, loss, and distributions

Full-year residents. Oregon taxes your gain or distribution (or allows your loss) received during the year. Limit net losses to $3,000 ($1,500 if married/RDP filing separately). The capital loss carryforward allowed on your full-year Oregon return will be the same carryforward allowed on your federal return.

Part-year residents. Oregon taxes your gain or distribution (or allows your loss) while an Oregon resident. Add to this figure the amount from Oregon sources while a nonresident. Limit net losses to $3,000 ($1,500 if married/RDP filing separately). If you're an Oregon resident at the end of the year, your capital loss carryforward for Oregon is the same as the amount allowed on your federal return.

Nonresidents. Oregon taxes your gain or distribution (or allows your loss) from Oregon sources. Limit net losses to $3,000 ($1,500 if married/RDP filing separately).

Other gain or loss

Full-year residents. Oregon taxes your gain (or allows your loss) received during the year.

Part-year residents. Oregon taxes your gain (or allows your loss) while an Oregon resident. Add to that figure the amount from Oregon sources while a nonresident.

Nonresidents. Oregon taxes your gain (or allows your loss) from Oregon sources.

Hydroelectric dam workers ORS 316.127(8)

Full-year residents. Oregon taxes all of your wages earned while working on the McNary, John Day, The Dalles, or Bonneville dams.

Part-year residents. Follow the same instructions in "Nonresidents" text, but exempt only the wages earned during the part of the year you were a nonresident of Oregon. If you qualify, file Form 40P and exclude the wages you earned while working on any of the dams identified below.

Nonresidents. You are exempt from Oregon tax on wages earned while working on the McNary, John Day, The Dalles, or Bonneville dams. If you qualify, Oregon will not tax these wages. File Form 40N and show this income is exempt by entering a zero in the Oregon column for these wages. If you have any other Oregon income from Oregon sources, you must show that income in the Oregon column. Write the name of the dam you work on in blue or black ink across the top of your return.

To stop withholding of Oregon income tax from your exempt wages, complete Form W-4 and write "exempt" on line 7. At the top of Form W-4 write "For Oregon Only—(name of the dam)." Give this Form W-4 to your payroll clerk.

Interest and dividend income

Interest

Generally, interest income is only taxed by your state of residence. It includes any interest received or credited to your account that you could withdraw and any interest you received on tax refunds.

Full-year residents. Oregon taxes the taxable interest income you received and reported on your federal return.

Part-year residents. Oregon taxes the taxable interest income you received while you were an Oregon resident. Oregon also taxes Oregon business activity interest income received while a nonresident.

Nonresidents. Oregon taxes the interest income you received on funds used for business activity in Oregon. Oregon does **not** tax interest received on installment sales.

Dividends

Generally, dividend income is only taxed by your state of residence. Include the stock dividends you received under a public utility dividend reinvestment plan in Oregon income.

Full-year residents. Oregon taxes the dividends you received during the year.

Part-year residents. Oregon taxes all dividends you received while an Oregon resident that are included on your federal return. Oregon also taxes any S corporation or partnership dividends taxable to you during the part of the year you were a nonresident.

Nonresidents. Oregon taxes dividends passed through to you from an S corporation or partnership that has no business activity outside Oregon. These are dividends your S corporation or partnership received on the stock of another corporation.

Exceptions:

- Interest and dividends on government bonds of other states, page 53.
- Interest and dividends on US bonds and notes, page 64.

Interstate Transportation Wages (Amtrak Act) OAR 150-316.127-(E)

Nonresidents. Are you a nonresident of Oregon with regularly assigned duties in Oregon and at least one other state? If you meet the qualifications below, Oregon will not tax you on these wages. File Form 40N and show this income is exempt by entering a zero in the Oregon column for these wages. Write "Amtrak" at the top of your return in blue or black ink.

The Amtrak Reauthorization and Improvement Act of 1990, Public Law 101-322, prohibits states and local governments from taxing compensation of certain nonresident employees who have regularly assigned duties in more than one state.

If you are a federal, state, or local government employee, you may not exclude your income under the Amtrak Act. (U.S. Postal Service employees are considered employees of the federal government.)

Who qualifies?

To qualify, you must work for:

- An interstate railroad, or
- An interstate motor carrier, or
- An interstate motor private carrier.

In addition, you must:

- Be a nonresident of Oregon, and
- Have regularly assigned duties in more than one state. This means you perform duties in each state on a regular basis. Duties you perform on an "on-call" or "as-needed" basis or on a sporadic or intermittent basis during the year are not considered "regularly assigned duties," and
- Be subject to the jurisdiction of the U.S. Secretary of Transportation.
- Are not covered under the overtime requirements of the Fair Labor Standards Act.

For employees of interstate motor carriers or motor private carriers, in the course of employment, you must:

- Directly affect the safety of a commercial motor vehicle. This means you are required by your regularly assigned routine and duties to work directly with a commercial motor vehicle or its contents. The duties must be direct and hands-on, requiring you to physically move, touch, or affect the vehicle or its contents. Supervisory, managerial, consulting, or other duties that indirectly affect the safety of a motor vehicle do not meet the definition of "directly affects," **and**
- Work as:
  - — An operator of a commercial motor vehicle,
  - — A mechanic,
  - — A freight handler, or
  - — Someone, other than an employer, who directly affects the safety of a motor vehicle.

A commercial motor vehicle is any self-propelled or towed vehicle used on highways in interstate commerce to transport passengers or property if such vehicle:

- Has a gross vehicle weight rating of more than 10,000 pounds,
- Is designed or used to transport passengers for compensation, except for vehicles providing taxi cab service when the vehicle has a capacity of eight or fewer passengers and is not operated on a regular route or between specified places,
- Is designed to transport more than 15 passengers, including the driver, and is not used to transport passengers for compensation, or
- Is used and labeled for the transportation of hazardous materials.

Example 1: Adam is a nonresident who works for an Oregon interstate motor carrier as a commercial motor vehicle driver. He has a regular route from Idaho to Oregon, delivering products in Oregon. Because Adam is the driver of a commercial motor vehicle and has regularly assigned duties in more than one state, this income is exempt from Oregon tax. Adam must file Form 40N and show this income is exempt by entering a zero in the Oregon column for these wages.

Example 2: Brenda is a nonresident who works for an interstate motor carrier as a mechanic directly affecting the safety of commercial motor vehicles engaged in interstate commerce. She has regular duties in a Washington terminal and an Oregon terminal. She works one day a week in Washington and four days in Oregon.

Because Brenda directly affects the safety of a commercial motor vehicle in interstate commerce and performs regularly assigned duties in two states, she is exempt from Oregon tax. It does not matter that the majority of her work is performed in Oregon. Brenda must file a Form 40N and show this income is exempt by entering a zero in the Oregon column for these wages.

Example 3: Jorge is a nonresident who works as a mechanic for an interstate motor carrier, directly affecting the safety of commercial motor vehicles engaged in interstate commerce. He regularly works in Medford but is required to be on-call some weekends to perform minor repair work. Several times a year he may travel to California to repair a flat tire, do minor engine work, etc.

Jorge does not have **regularly assigned duties** in more than one state. Duties that are performed on an on-call or as-needed basis are not considered to be regularly assigned. Jorge's wages earned in Oregon are taxable by Oregon. He must file Form 40N and report his wages in the Oregon column.

Example 4: Carl is a nonresident who works for an interstate motor carrier as a driver. Carl picks up a lumber delivery truck every morning in Washington and receives delivery assignments for the day. Depending on where the lumber needs to be delivered, he may not come to Oregon on a daily basis. Carl may pick up and deliver lumber only within Washington or only within Oregon. Carl does drive to Oregon at least once a month. Carl's wages earned in Oregon are exempt from Oregon tax. Carl must file Form 40N and show this income is exempt by entering a zero in the Oregon column for these wages.

Due to the nature of the business, the company may not be able to assign regular duties to Carl. The company itself does not know what each day's delivery route will be until customers place orders. Although Carl may not have a regular route in Washington and Oregon, he does drive to Oregon at least once a month. Carl is considered to have **regularly assigned duties in two states, as long as all routes are assigned randomly among all drivers on a regular basis.**

Example 5: Ed is a nonresident who works for an Oregon wholesaler as a shipping clerk. The company has one terminal in Oregon and one terminal in Washington. Ed regularly works in both terminals. That is, he has regularly assigned duties in two states.

Ed is not considered exempt within the scope of the Amtrak Act. He is not a driver, mechanic, or freight handler. His duties do not directly affect the safety of the vehicle. Ed's wages earned in Oregon are taxable by Oregon. He must file Form 40N and include his income in the Oregon column.

Example 6: Frieda is a nonresident who works for an Oregon retail store as a freight handler. Her regularly assigned duties are to load and unload freight. Occasionally, Frieda is asked to fill in as a driver and, over the course of a year, may drive several routes in and out of Oregon. Frieda does not have "regularly assigned duties in more than one state" and she does not work for an interstate motor carrier. Her Oregon-source wages are taxable by Oregon. Frieda must file Form 40N and include her income in the Oregon column.

Example 7: Butch is a nonresident who works for an Oregon-based interstate trucking carrier as a supervisor. His regular duties within the state of Oregon include safety training. However, Butch frequently also drives to Washington to conduct safety training.

Supervisory duties do not qualify as exempt under the Amtrak Act. The employee must directly affect the safety of a commercial vehicle. Conducting safety training only indirectly affects the safety of a commercial motor vehicle. Butch's wages are taxable by Oregon. He must file Form 40N and include his income in the Oregon column.

Example 8: Connie Sue is a nonresident who works for an interstate trucking carrier at her company's Oregon and Washington yards. She has a variety of duties, including helping load trucks. Connie Sue is allowed overtime under the Fair Labor Standards Act.

Because she is covered under the Fair Labor Standards Act rather than being subject to the jurisdiction of the Secretary of Transportation, Connie Sue does not qualify for the Amtrak relief. Her wages are taxable by Oregon. She must file Form 40N and include her income in the Oregon column.

Example 9: Ken is a nonresident who works as a line repairman for a utility company. He uses a company truck with a gross vehicle weight of more than 10,000 pounds to make service calls in both Oregon and Washington.

Ken is not exempt from Oregon taxation because he does not drive a "commercial motor vehicle" (a motor vehicle used to transport passengers or property). Ken's Oregon wages are taxable by Oregon. He must file Form 40N and include his income in the Oregon column.

Employer withholding

If you are exempt from Oregon taxation under the Amtrak Act, Oregon tax does not have to be withheld from your wages. You may claim exemption from withholding on the W-4 you file with your employer. On the W-4 write "For Oregon Only—Amtrak." Attach to Form W-4 an explanation of qualifying duties. You must still file an Oregon tax return even if you claim exemption from withholding under the Amtrak Act.

IRA distributions

Full-year residents. Oregon taxes any taxable IRA distribution you received during the year and any amounts reported in federal income that you converted from a regular IRA into a Roth IRA.

Part-year residents. Oregon taxes any taxable IRA distribution you received while you were an Oregon resident. Oregon also taxes income amounts from IRA conversions if you were an Oregon resident at the time of the conversion.

Nonresidents. Oregon does not tax any amount unless you are a nonresident domiciled in Oregon. If you are domiciled in Oregon but otherwise taxed as a nonresident, your Oregon-source IRA will still be taxed by Oregon. See **Retirement income**.

Property, like-kind exchange or conversions ORS 316.738, 317.327

You may elect to defer gain on like-kind property that is exchanged or converted. Generally, it does not matter if the properties being exchanged or converted are located in or outside Oregon. Include Oregon Form 24, *Oregon Like-Kind Exchanges/Involuntary Conversions*, with your Oregon return in the year of the exchange or conversion. Download the form from our website or call us to order it.

Full-year residents. You will report the gain to Oregon when it's reported on your federal return.

Part-year residents. If you were an Oregon resident at the time you exchanged your property and deferred the gain, you will report the Oregon portion of the gain when you report the gain on your federal return. If you were a nonresident at the time you exchanged your Oregon property and deferred the gain, see the "Nonresident" section below.

Nonresidents. If you are not an Oregon resident when the gain is reported on your federal return, you will need to file an Oregon Form 40N to report the gain.

Rents, royalties, partnerships, estates, trusts, farms, etc., from federal Schedules E and F

Full-year residents. Oregon taxes the amount of rent, royalty, Real Estate Mortgage Investment Conduits (REMIC), Real Estate Investment Trust (REIT), partnership, S corporation, estate, trust, and farm income you received while an Oregon resident.

Part-year residents. Oregon taxes the amount of rent, royalty, REMIC, REIT, partnership, S corporation, estate, trust, and farm income you received while you were an Oregon resident. Oregon also taxes the income you received from Oregon sources while a nonresident.

Nonresidents. Oregon taxes the amount of rent, royalty, REMIC, REIT, partnership, S corporation, estate, trust, and farm income you received or earned from Oregon sources.

Retirement income

Full-year and part-year residents. Most retirement income is subject to Oregon tax when received by an Oregon resident. This is true even if you were a nonresident when you earned the income. However, you may subtract some or all of your federal pension income from Oregon income. See page 61.

For other exceptions, see **Previously taxed employee retirement plans** and **Previously taxed IRA conversions** on page 68.

Nonresidents. Oregon does not tax your retirement income if you are a nonresident who is not domiciled in Oregon. If you are an Oregon nonresident who is still domiciled in Oregon, any Oregon-source retirement income is taxable by Oregon. This applies to most forms of retirement income taxed by Oregon, including public pension plans, corporate retirement plans, Keogh plans, simplified employee pensions (SEPs), and IRAs. For the definition of "domicile," see page 17.

Example: Hiro has always resided and worked in Oregon. On January 5, 2013, he retired, sold his Oregon residence, and moved temporarily to Arizona to work. He intends to remain in Arizona for two years and then return to Oregon.

He did not acquire another residence outside Oregon. He receives an Oregon-sourced pension and interest income.

Hiro has not given up his Oregon driver's license, and his vehicles are registered with the state of Oregon. He has not changed his voter registration to another state.

Hiro has not shown an intent to give up Oregon as his home and acquire a permanent home elsewhere. Based on these facts, Hiro is domiciled in the state of Oregon. Although Hiro is taxed as a nonresident (his interest income is not taxed by Oregon), his Oregon-source retirement income is taxable by Oregon.

Retirement income means income from:

- Qualifying employer pension and profit-sharing plans exempt from tax under Internal Revenue Code (IRC) Section 401(a).
- Annuity plans [IRC Sec. 403(a) and IRC Sec. 403(b)].
- Cash or deferred compensation arrangements [IRC Sec. 401(k) plans and IRC Sec. 457 plans].
- Simplified employee pension plans [IRC Sec. 408(k)].
- Individual retirement arrangements [IRC Sec. 408(a) and IRC Sec. 408(b)].
- Plans for federal, state, or local government employees [IRC Sec. 414(d)].
- Pay for uniformed service members under chapter 71 of Title 10 of the United States Code.
- Trusts that were created before June 25, 1959 [IRC Sec. 501(c)(18)].

Payments received after termination of employment qualify if the payment is made under a plan, program, or arrangement maintained solely for the purpose of providing retirement benefits that exceed the amounts allowed under the qualified retirement plans described above.

Payments received from nonqualified deferred compensation plans [as described in IRC Sec. 3121(v)(2)(C)] qualify if the payments are part of a series of substantially equal periodic payments made:

- For the life or life expectancy of the recipient, or
- For a period of at least 10 years.

Retirement income does not include income received from:

- Social Security,
- Stock options,
- Restructured stock plans,
- Severance plans, or
- Unemployment compensation.

Social Security and Railroad Retirement Board benefits

Oregon does not tax any amount of your Social Security, Railroad Retirement Board, or railroad unemployment benefits. For information on the Railroad Retirement Board benefits subtraction, see page 69.

State and local income tax refunds

Full-year residents. Oregon does not tax Oregon state and local income tax refunds you received during the year.

Part-year residents. Oregon does not tax Oregon state and local income tax refunds you received while an Oregon resident. For the part of the year you were a nonresident, see below.

Nonresidents. Oregon taxes other state and local income tax refunds you deducted on an Oregon return in a prior year. For information on the Oregon income tax refund subtraction, see page 67.

Unemployment compensation and other taxable income

Full-year residents. Oregon taxes unemployment compensation and any other taxable income you received during the year.

Part-year residents. Oregon taxes unemployment compensation and any other taxable income you received while an Oregon resident. Oregon also taxes any unemployment compensation and other taxable income from Oregon sources or based on Oregon sources received while a nonresident.

Nonresidents. Oregon taxes any unemployment compensation and any other taxable income included in federal adjusted gross income received from Oregon sources or based on Oregon sources.

Wages, salaries, and other pay for work

Full-year residents. Oregon taxes all of your earnings for services you performed inside and outside Oregon.

Part-year residents.* Oregon taxes all of your earnings while an Oregon resident. Oregon also taxes the amount you earned working in Oregon while you were a nonresident. If your Oregon wages are not stated separately on your W-2, compute your Oregon-source income using the formula below.

Nonresidents.* Oregon taxes the income you earned while working in Oregon. Oregon does not tax any amount you earned while you were working outside Oregon.

If the amount you earned working in Oregon differs from the Oregon wages shown on your Form W-2, you **must include** a signed explanation from your employer, **on company letterhead,** with your Oregon return, and compute your Oregon-source income using the formula below.

Important information for using this formula: When you count the number of days you actually worked in Oregon and the number of days you actually worked everywhere, do not include holidays, vacation days, or sick days. These aren't days that you actually worked. Your employer paid you for these days based on the days you worked. However, include your sick **pay**, holiday **pay,** and vacation **pay** in total wages.

Use the formula below to determine total wages taxable by Oregon.

$$\frac{\text{Days actually worked in Oregon}}{\text{Total days actually worked everywhere}} \times \text{Total wages} = \text{Oregon wages}$$

If you only worked in Oregon, do not use the formula above. All your earnings are taxable by Oregon, and you must report them on your Oregon return.

** **Nonresident exceptions:** To see if you qualify to exclude certain income, go to **Air carrier employees**, page 38, **Interstate transportation wages (Amtrak Act)**, page 40; **Hydroelectric dam workers**, page 39; or **Waterway workers** below.*

Waterway workers ORS 316.127

Full-year residents. Oregon taxes all the income you earned while working on a watercraft in interstate waters.

Part-year residents. Oregon taxes all the income you earned while working on a watercraft in interstate waters during the part of the year you were an Oregon resident. For the part of the year you were a nonresident, see below.

Nonresidents. Certain nonresident employees serving on watercraft who have regularly assigned duties on interstate navigable waters are not subject to Oregon income tax.

To qualify you must:

- Be engaged on a vessel to perform assigned duties in more than one state as a pilot licensed under 46 U.S.C. 7101 or licensed or authorized under the laws of the state, or
- Perform regularly assigned duties while engaged as a master, officer, or member of a crew on a vessel operating on navigable waters in two or more states.

If you qualify, Oregon will not tax these wages. File Form 40N (or Form 40P if a part-year resident) and show this income is exempt by entering a zero in the Oregon column for these wages. Write "Waterway Worker" at the top of your return in blue or black ink.

To stop withholding of Oregon income tax from your exempt wages, complete a Form W-4 and write "exempt" on line 7. At the top of Form W-4 write "For Oregon Only—Waterway Worker." Give this Form W-4 to your payroll clerk.

Adjustments to Income

Alimony paid

The alimony you paid must be taxable income to your former spouse.

Full-year residents. Oregon allows the same deduction you claimed on your federal return. The federal deduction flows through to your Oregon return via your federal adjusted gross income. You will not claim an additional deduction on your Oregon return.

Part-year residents. Oregon allows a deduction for alimony you paid while an Oregon resident. Oregon also allows a partial deduction for alimony paid while a nonresident if you had Oregon-source income. Use the formula below to determine your nonresident deduction amount. Add these amounts together for your total deduction.

Nonresidents. Oregon allows a partial deduction for alimony you paid while a nonresident if you had Oregon-source income. Use the formula below to determine your deduction.

$$\frac{\text{Oregon-source income while a nonresident}}{\text{Total income received while a nonresident}} \times \text{Alimony you paid while a nonresident} = \text{Nonresident deduction}$$

Certain business expenses of reservists

Full-year residents. Oregon allows the deduction you claimed on your federal return. The federal deduction flows through to your Oregon return via your federal adjusted gross income. You will not claim an additional deduction on your Oregon return.

Part-year residents. Oregon allows a deduction for the expenses you incurred while you were an Oregon resident.

Nonresidents. Your reservist income is not taxed by Oregon. Therefore you may not take an expense deduction.

Educator expenses

Full-year residents. Oregon allows the deduction claimed on your federal return. The federal deduction flows through to your Oregon return via your federal adjusted gross income. You will not claim an additional deduction on your Oregon return.

Part-year residents. Oregon allows a deduction for the qualified educator expenses you paid while you were an Oregon resident. Oregon also allows the amount of qualified educator expenses you paid while working in an Oregon elementary or secondary school during the part of the year you were a nonresident of Oregon. You may deduct the total you paid but not more than $250.

Nonresidents. Oregon allows a deduction for the qualified educator expenses you paid while working in an Oregon elementary or secondary school. You may deduct the total you paid but not more than $250.

Fee-basis government officials

Full-year residents. Oregon allows the deduction you claimed on your federal return. The federal deduction flows through to your Oregon return via your federal adjusted gross income. You will not claim an additional deduction on your Oregon return.

Part-year residents. Oregon allows a deduction for the employee business expenses you paid while you were an Oregon resident. Oregon also allows a partial deduction for the expenses you paid while you were a nonresident, if you had Oregon-source income. Use the formula below under **Nonresidents** to determine your nonresident deduction. Add these amounts together for your total deduction. Your total deduction for Oregon cannot be more than the deduction allowed on your federal return.

Nonresidents. Oregon allows a partial deduction for your employee business expenses paid for while you were a nonresident, if you had Oregon-source income. Use the formula below to determine your deduction. Your deduction for Oregon cannot be more than the deduction allowed on your federal return.

$$\frac{\text{Oregon-source income while a nonresident}}{\text{Total income from all sources while a nonresident}} \times \text{Employee business expenses paid while a nonresident} = \text{Nonresident deduction}$$

Health Savings Account deduction

Full-year residents. Oregon allows the deduction you claimed on your federal return. The federal deduction flows through to your Oregon return via your federal adjusted gross income. You will not claim an additional deduction on your Oregon return.

Part-year residents. Oregon allows a deduction for your Health Savings Account contribution made while you were an Oregon resident. Oregon also allows a partial deduction for your contribution while you were a nonresident if you had Oregon-source income. Use the formula below under **Nonresidents** to determine your

nonresident deduction amount. Add these amounts together for your total deduction.

Nonresidents. Oregon allows a partial deduction for your Health Savings Account contribution while you were a nonresident if you had Oregon-source income. Use the formula below to determine your deduction.

$$\frac{\text{Oregon-source income while a nonresident}}{\text{Total income from all sources while a nonresident}} \times \text{Health Savings Account contribution made while a nonresident} = \text{Nonresident deduction}$$

Interest penalty on early withdrawal of savings

Full-year residents. Oregon allows the same deduction you claimed on your federal return. The federal deduction flows through to your Oregon return via your federal adjusted gross income. You will not claim an additional deduction on your Oregon return.

Part-year residents. Oregon allows the same deduction as federal does for your penalty related to interest taxed by Oregon.

Example: Liam claimed a deduction of $1,795 on his federal return for an early withdrawal penalty. Only 30 percent of the interest income related to this penalty is taxable by Oregon and reportable in the Oregon column. Liam's Oregon deduction is also limited to 30 percent of the penalty, so his deduction will be $539.

Nonresidents. Because Oregon generally does not tax interest of a nonresident, there is no deduction for a nonresident.

IRA or self-employed SEP and SIMPLE contributions

Full-year residents. Oregon follows the federal definition of earned income and compensation used to calculate your IRA and other retirement plan deductions. Oregon allows the same deduction you claimed on your federal return. The federal deduction flows through to your Oregon return via your federal adjusted gross income. You will not claim an additional deduction on your Oregon return.

Part-year residents and nonresidents. You may be limited in the amount of IRA or other retirement plan contributions you can deduct for Oregon. Use the formulas below to figure your deduction.

IRA formula. For the part of the year you were a nonresident, use the formula below to determine your Oregon deduction.

$$\frac{\text{Oregon compensation while a nonresident}}{\text{Total compensation while a nonresident}} \times \text{IRA contributions made while a nonresident} = \text{Nonresident deduction}$$

Add the amount you paid while an Oregon resident to your nonresident deduction. The deduction in the Oregon column is limited by:

- The federal limitations, and
- Income taxed by Oregon.

Self-employed simplified employee pensions (SEP), savings incentive match plan for employees (SIMPLE), and other qualified plans. Use the formula below to determine your Oregon deduction for the part of the year you were a nonresident.

$$\frac{\text{Oregon earned income while a nonresident}}{\text{Total earned income while a nonresident}} \times \text{Contributions made while a nonresident} = \text{Nonresident deduction}$$

Add the amount you paid while an Oregon resident to your nonresident deduction. The deduction in the Oregon column is limited by:

- The federal limitations, and
- Income taxed by Oregon.

Moving expenses OAR 150-316.127(3)(a)

Full-year residents. Oregon allows you the same deduction you claimed on your federal return. The federal deduction flows through to your Oregon return via your federal adjusted gross income. You will not claim an additional deduction on your Oregon return.

Part-year residents. Oregon allows a deduction for your moving expenses only if they were connected to employment in Oregon.

Exception. Oregon allows you a deduction for moving expenses if they were paid after becoming an Oregon resident, even if they weren't connected to employment in Oregon.

Example 1: Helen moved from Seattle, Washington, to Portland, Oregon, to take a job in Portland. Her moving expenses are deductible for Oregon.

Example 2: Ezra moved out of Oregon to take a job in another state. His moving expenses are not deductible for Oregon.

Example 3: Becker moved from New Jersey to Oregon to take a job in California. He paid his moving expenses after he became a resident of Oregon. Becker may deduct his moving expenses although his employment is not in Oregon.

Nonresidents. Oregon allows this deduction only if your moving expenses were paid in connection to Oregon employment.

Example 4: Javier moved from Texas to Payette, Idaho, to take a job in Ontario, Oregon. His moving expenses are deductible for Oregon.

Performing artists

Full-year residents. Oregon allows the deduction you claimed on your federal return. The federal deduction flows through to your Oregon return via your federal adjusted gross income. You will not claim an additional deduction on your Oregon return.

Part-year residents. Oregon allows the deduction claimed on your federal return for expenses paid while you were an Oregon resident. Oregon also allows a partial deduction for these business expenses while you were a nonresident if you had Oregon-source income. Use the formula below under **Nonresidents** to determine your nonresident deduction amount. Add these amounts together for your total deduction.

Nonresidents. Oregon allows a partial deduction for your performing artist employee business expenses while you were a nonresident if you had Oregon-source income. Use the formula below to determine your deduction.

$$\frac{\text{Oregon-source income while a nonresident}}{\text{Total income from all sources while a nonresident}} \times \text{Performing artist employee business expenses paid while a nonresident} = \text{Nonresident deduction}$$

Self-employed health insurance

This deduction is limited to earned income from your trade or business for which the insurance plan was established.

Full-year residents. Oregon allows you the same deduction you claimed on your federal return. The federal deduction flows through to your Oregon return via your federal adjusted gross income. You will not claim an additional deduction on your Oregon return.

Part-year residents and nonresidents. Oregon allows a deduction for 100 percent of your health insurance premiums related to your self-employment for the part of the year you were an Oregon resident. Add the health insurance premiums paid by an Oregon business from which you received self-employment income while a nonresident. Your total Oregon deduction cannot be more than your federal deduction and is limited to the earnings from self-employment reported in the Oregon column.

Self-employment tax

Full-year residents. Oregon allows the deduction you claimed on your federal return. The federal deduction flows through to your Oregon return via your federal adjusted gross income. You will not claim an additional deduction on your Oregon return.

Part-year residents and nonresidents. Oregon allows a deduction for self-employment tax related to earnings taxed by Oregon. The Oregon deduction cannot be more than the federal deduction. Use the following formula:

$$\frac{\text{Self-employment earnings taxed by Oregon}}{\text{Total self-employment earnings}} \times \text{Federal deduction for self-employment tax} = \text{Oregon deduction}$$

Student loan interest

Full-year residents. Oregon allows the deduction you claimed on your federal return. The federal deduction flows through to your Oregon return via your federal adjusted gross income. You will not claim an additional deduction on your Oregon return.

Part-year residents. Oregon allows a deduction for the student loan interest you paid while you were an Oregon resident. Oregon also allows a partial deduction for student interest you paid while you were a nonresident if you had Oregon-source income. Use the formula below under **Nonresidents** to determine your nonresident deduction amount. Add these amounts together for your total deduction.

Nonresidents. Oregon allows a partial deduction for the student loan interest you paid while you were a nonresident if you had Oregon-source income. Use the formula below to determine your deduction.

$$\frac{\text{Oregon-source income while a nonresident}}{\text{Total income from all sources while a nonresident}} \times \text{Student loan interest paid while a nonresident} = \text{Nonresident deduction}$$

Tuition and fees

Full-year residents. Oregon allows the deduction you claimed on your federal return. The federal deduction flows through to your Oregon return via your federal adjusted gross income. You will not claim an additional deduction on your Oregon return.

Part-year residents. Oregon allows a deduction for the qualified tuition and fees you paid while you were an

Oregon resident. Oregon also allows a partial deduction for your tuition and fees expense paid while you were a nonresident if you had Oregon-source income. Use the formula below to determine your nonresident deduction amount. Add these amounts together for your total deduction. Your total deduction for Oregon cannot be more than the federal limit.

Nonresidents. Oregon allows a partial deduction for the tuition and fees you paid while you were a nonresident if you had Oregon-source income.

Use the formula below to determine your deduction amount. Your total Oregon deduction cannot be more than the federal limit.

$$\frac{\text{Oregon-source income while a nonresident}}{\text{Total income from all sources while a nonresident}} \times \text{Federal deduction for tuition and fees} = \text{Oregon deduction}$$

Additions

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

Accumulation distribution from a trust ORS 316.298

[Addition code 100]

Did you receive a distribution of a trust's accumulated income from prior years? If so, it is fully taxable on your Oregon return. Oregon has no "throwback" provision for reporting this income the way the federal government does. However, Oregon will allow you a credit for the Oregon income tax paid by an Oregon trust. The tax must have been paid in past years on the same income that was distributed to you this year. For details, call the Department of Revenue or email the Fiduciary Unit at estate.help.dor@state.or.us.

Alternative Fuel Vehicle Fund (auction) ORS 316 Oregon Laws 2013

[Addition code 104]

If you claimed a deduction on Schedule A for the amount you paid for your Alternative Fuel Vehicle Fund tax credit, you will have an Oregon addition for the amount of your deduction.

Example: Roberta bid on $3,500 worth of Alternative Fuel Vehicle Fund credits during the 2013 auction. She won all the credits she bid on and paid $3,400 for them. On her Oregon return, Roberta will claim an Alternative Fuel Vehicle Fund credit of $3,500. If she claims the $3,400 she paid for the credits as an itemized deduction on her Schedule A, she must add that amount to her income as an Oregon "other addition". For more information on the Alternative Fuel Vehicle Fund credit, see page 90.

Child Care Fund contributions ORS 315.213

[Addition code 104]

If you claimed a deduction on Schedule A for the amount you paid for your Child Care Fund contribution tax credit, you will have an Oregon addition for the portion of your deduction included in your credit.

Example: Fern made a contribution to the Child Care Fund in the amount of $10,000. On her Oregon return she will claim a credit of $7,500 for her contribution (she is limited to 75 percent of her contribution, or her tax liability, in any given year). If Fern claims the $10,000 contribution as an itemized deduction on her Schedule A, she must add back $7,500 to her income using addition code 104.

For more information on the Child Care Fund tax credit, see page 92.

Part-year residents and Nonresidents

See page 85 for instructions on how to claim your addition as an "other deduction and modification."

Claim of right income repayments ORS 315.068

[Addition code 103]

Did you repay over $3,000 of income taxed by Oregon in a prior year and claim a federal claim of right deduction or credit under IRC § 1341? If so, you may claim an Oregon credit based on the Oregon tax you paid in that earlier year for the income that you repaid. Repayments of $3,000 or less do not qualify for an Oregon credit.

If you claimed a federal deduction on Schedule A for your repayment, you must add back your federal deduction to claim a credit on your Oregon return. For information about the Oregon claim of right credit, see page 93.

Depletion ORS 316.680(2)(d)

[Addition code 101]

Depletion is using up natural resources by mining, quarrying, drilling, or felling. The depletion deduction allows an owner or operator to account for the reduction of a product's reserves.

If you claim percentage depletion on your federal return, you must add to your Oregon income any depletion that is more than your adjusted basis in the property. The addition includes any depletion in excess of basis taken by an S corporation or partnership of which you are a shareholder or partner. Usually you need to add to Oregon income any depletion that is a preference item subject to the federal alternative minimum tax.

Discharge of indebtedness from reacquisition of debt instrument ORS 316.739

For tax years 2009 and 2010 Oregon was not tied to the deferral and required an addition on your Oregon return. Beginning in 2011 Oregon **is** tied to this federal law and no addition is required.

Disposition of inherited Oregon farmland or forestland ORS 316.844

[Addition code 106]

You may have an addition on your return if:

- You dispose of farmland you inherited from someone who died on or after October 5, 1973, and before January 1, 1987, or
- You dispose of forestland you inherited from someone who died on or after November 1, 1981, and before January 1, 1987.

You may have this addition because the valuation of the land for Oregon inheritance tax purposes may differ from the valuation for federal estate tax purposes. Generally, the federal valuation is the fair market value of the property at the date of the previous owner's death. The Oregon valuation is usually less than the federal valuation, because for inheritance tax purposes the property may have been valued as farm-use or forestland.

Farm-use value. If the previous owner died on or after October 5, 1973, but before September 12, 1975, use the farm-use value for the **year preceding death.** If death occurred on or after September 13, 1975, use the farm-use value for the **year of death.** You will not have this addition if the carryover basis was elected for a death after December 31, 1976, but before November 7, 1978.

Forest-use value. Use the forest-use value for the year of death.

How to figure the addition. This addition is equal to the difference between:

- The taxable gain or loss, using the Oregon valuation as your basis, and
- The taxable gain or loss, using the federal valuation as your basis.

This addition will increase the gain or reduce the loss you reported on your federal return.

Transfers of property. An addition is required when the beneficiary sells the inherited property. It is also required when:

- You recognize gain or loss on property that acquired the inherited property's basis due to a nontaxable exchange or involuntary conversion.
- You recognize gain or loss on property you received as a gift from a donor who inherited it.

Example: Anne inherited farmland from a relative who died on March 1, 1982. She sold the land on May 1, 2013, for $1,100,000. The fair market value at the date of the relative's death was $180,000. The farm-use value of the land on the 1982–83 property tax statement was $50,000. Anne must show a $130,000 addition on her 2013 Oregon return. Here is how she figures her addition:

Oregon valuation:		
Selling price	$ 1,100,000	
Less: Farm-use value	– 50,000	
Gain		$1,050,000
Federal valuation:		
Selling price	$ 1,100,000	
Less: Fair market value on March 1, 1982	– 180,000	
Gain		– 920,000
Difference in total gain (addition on her Oregon return)		$ 130,000

Federal election on interest and dividends of a minor child ORS 316.372

[Addition code 107]

Did you report the interest or dividends of your minor child on **your** federal return? If so, you must add the amount subject to the special federal tax to Oregon income. You must also include any interest or dividends your child received on bonds or notes of another state or political subdivision of another state that you did not include on your federal return.

Full-year residents. Oregon taxes the smaller of line 13 or 14 from federal Form 8814. Oregon also taxes any interest or dividends your child received from state and local governments outside Oregon.

Part-year residents. Oregon taxes the interest and dividends your child received while you were an Oregon resident.

Nonresidents. Oregon generally does not tax interest or dividends received while you were a nonresident.

Federal estate tax ORS 316.680(2)(c)

[Addition code 100]

Federal estate tax on **"income in respect of a decedent"** (IRD) is allowed as a deduction on your federal return. If any of this tax is on income not taxed by Oregon, you must show an addition on your Oregon return.

Use the following formula to figure the Oregon addition:

$$\frac{\text{IRD not taxable by Oregon}}{\text{IRD included in federal taxable income}} \times \text{Federal estate tax deducted on the federal return} = \text{Oregon addition}$$

Federal income tax refunds ORS 316.685

[Addition code 109]

Did you get a federal tax refund because of a federal audit or amended return? If so, you may need to add part or all of that refund to your Oregon income. Read the explanation of the federal tax liability subtraction on page 59.

Tax benefit doctrine. You need to add back only refunds of federal tax for which you received a benefit in a **prior** year.

Example 1: Rosa subtracted her entire federal tax liability of $2,800 on her 2012 Oregon return. This year, she amended her 2012 federal return. Rosa reduced her federal tax to $2,300 and received a federal refund of $500. She received a $500 tax benefit because she subtracted $500 more on her 2012 Oregon return than her corrected federal tax liability.

When to report the refund. As a general rule, report the refund in the year you get it. The rules for figuring the addition are explained below. But first, note these exceptions:

Exception 1

If there is an error on your federal return, the Oregon Department of Revenue may correct your federal tax liability when your Oregon return is processed. This may decrease your federal tax subtraction. When the IRS later refunds the difference between your correct federal liability and the liability on your original return, do not report the refund as an addition. Because the tax subtraction on your original Oregon return was corrected, you didn't receive a tax benefit from the total federal tax subtracted on your original return.

Example 2: The Jacksons showed a $3,700 federal tax liability on their 2013 federal return. They claimed a federal tax subtraction for that same amount on their Oregon return. When their 2013 Oregon return was processed, the Oregon Department of Revenue discovered a math error on their federal return. The department figured the Jacksons' correct federal tax as $2,400 and reduced their Oregon federal tax subtraction to that amount. In 2014, the Jacksons received the IRS refund of $1,300. They will not report the refund as an addition on their 2014 Oregon return because they did not receive a tax benefit for it.

Exception 2

If you file an amended return before the filing due date for that tax year, your amended return is treated as your original return for that year. In this case, the federal tax subtraction on your amended return is your corrected federal tax liability.

Example 3: Heather filed her 2013 federal and Oregon returns on February 17, 2014. Her federal tax liability was $4,800, which she subtracted in full on her Oregon return. On March 20, 2014, she amended her 2013 federal return to claim additional deductions. She refigured her 2013 federal tax as $3,000. She also amended her 2013 Oregon return to claim the same additional deductions and reduce her federal tax subtraction by $1,800 (from $4,800 to $3,000). The $1,800 federal refund she received in 2014 will not be reported as income on her 2014 Oregon return. Because Heather filed the amended Oregon return **before** the April 15 due date, her amended return is treated as her original return this year.

Figuring the addition. The refund you must report as an addition is the amount of refund that you received a tax benefit from. The tax benefit is the amount of federal tax you deducted in a prior year and received as a refund in a later year (if the amount you got back reduced your Oregon taxable income in the prior year).

Did you receive a refund of federal taxes from a different year? If so, use the following worksheet to figure your tax benefit.

1. Fill in your original federal tax liability from a prior year (2012 limit $6,100, 2011 limit $5,950, 2010 limit $5,850). 1. _____

2. Fill in your corrected federal tax liability from a prior year (2012 limit $6,100, 2011 limit $5,950, 2010 limit $5,850). 2. _____

3. Line 1 minus line 2. This is the tax benefit you received from your refund. 3. _____

Example 4: Jill's 2012 federal tax liability was $6,300. She was limited to $6,100, which she subtracted on her Oregon return. Jill amended her 2012 federal return and received a refund of $6,300 in 2013. The addition on Jill's 2013 return will be $6,100, figured as follows:

1. Tax benefit received: Federal tax subtracted on Jill's 2012 Oregon return (limit $6,100)	$ 6,100
2. Less: Corrected federal tax ($6,300 – $6,300) (limit $6,100)	-0-
3. Tax benefit received and Jill's Oregon addition	$ 6,100

Example 5: Ella was a part-year resident in 2012. Her original federal tax was $4,200. She amended her 2012 federal and Oregon returns in October 2013. She received a $1,000 federal refund in 2013. Her 2012 corrected federal tax is $3,200. Ella's addition is $1,000. She figures her tax benefit as follows:

1. Original 2012 federal tax liability (limit $6,100)	$ 4,200
2. Less: Corrected federal tax liability (limit $6,100)	– 3,200
3. Tax benefit received and Ella's Oregon addition	$ 1,000

Nonresidents. A nonresident's tax benefit from federal tax refunds is the difference between the tax actually subtracted on the prior year's return and the tax that would have been subtracted had the federal return been correct. If the amounts on your federal return changed because you amended your federal return or because it was audited, your Oregon percentage may also change. Use the corrected percentage to figure the tax benefit.

Example 6: Brokston was a nonresident with Oregon-source income in 2012. His original federal tax was $8,600. His Oregon percentage on Form 40N was 40 percent. In September 2013, he amended his federal and Oregon returns. He received a $4,500 federal refund in 2013. His revised Oregon percentage for 2012 was 50 percent. He received a $390 tax benefit from the refund. He figures his tax benefit as follows:

1. Original federal tax liability (limit $6,100)	$ 6,100	
× original Oregon percentage	× .40	
		$ 2,440
2. Corrected federal tax liability (limit $6,100)	$ 4,100	
× revised Oregon percentage	× .50	
		– 2,050
3. Tax benefit received and Brokston's Oregon addition		$ 390

Gambling losses claimed as an itemized deduction ORS 461.560

[Addition code 105] [Form 40N/40P: Modification code 604]

If you claimed gambling losses as an itemized deduction on your federal Schedule A, you may have an addition on your Oregon return.

Your gambling losses are limited to the amount of your gambling winnings taxed by Oregon.

Oregon does not tax Oregon Lottery winnings of $600 or less from a single ticket or play. See the subtraction for Oregon Lottery winnings on page 65.

Example: Angela reported total gambling income of $580 on her federal return ($500 from the Oregon Lottery plus $80 from the horse races). On her federal Schedule A, Angela deducted $300 of gambling losses.

Angela will subtract $500 from her Oregon income. This is the amount of her Oregon Lottery winnings. Her net gambling winnings, taxable by Oregon, are reduced to $80. Angela may not claim more in gambling losses than her gambling winnings taxable by Oregon. Because her gambling winnings taxable by Oregon are only $80, she may not claim more than $80 in gambling losses on her Oregon return. She is required to reduce her deduction for gambling losses from $300 to $80. The difference of $220 is an Oregon addition.

Gambling winnings reported in federal AGI	$ 580
Less subtraction for Oregon Lottery winnings	(500)
Net gambling winnings taxable by Oregon	$ 80
Gambling losses claimed on Federal Schedule A	$ 300
Net gambling winnings included in Oregon income	80
Reduction in gambling losses—Oregon addition	$ 220

Income taxes paid to another state ORS 316.082

[Addition code 104]

Did you claim a credit for income taxes paid to another state and claim those same taxes as an itemized deduction? If so, you may have an Oregon addition. See page 97–101.

Individual Development Account ORS 316.848, 315.271

[Addition code 113]

For information on the required Oregon addition, see page 82.

Interest and dividends on government bonds of other states ORS 316.680 (2)(b)

Full-year residents. Oregon taxes interest and dividends on bonds and notes of another state or political subdivision of another state that you did not include on your federal return. This income is an addition on your Oregon return.

Did you report the interest or dividends of your minor child on **your** federal return? And, did your child receive interest or dividends from another state or political subdivision? If so, include this income as an addition on your Oregon return. See page 50.

Part-year residents. Oregon taxes all interest and dividends you earned on all bonds or notes when you were an Oregon resident. Oregon also taxes the interest and dividends on bonds or notes of another state (or political subdivision of another state) earned from an Oregon business, partnership, or S corporation during the part of the year you were a nonresident.

Nonresidents. Oregon will only tax this income if it comes from an Oregon business, partnership, or S corporation.

Expenses

Investment expenses to purchase federally exempt bonds or notes are not deductible on the federal return. If you itemize for Oregon, you may reduce your Oregon addition by the amount of investment expense not deductible on your federal return. If you use the standard deduction, you will not reduce your addition for your investment expenses.

Example 1: Maya received $1,000 of interest from her New York City bonds. She borrowed $2,600 to purchase the bonds. During the year she paid $150 of interest on the loan. She claimed itemized deductions but could not deduct the interest expense on her federal Schedule A because the interest from the bonds was not included on her federal return. Maya's $850 addition is figured as follows:

New York City bond interest	$1,000
Less: Interest expense connected with the bonds	– 150
Oregon addition	$ 850

Example 2: Jim received $2,970 of interest from Idaho Municipal Bonds. He borrowed $12,000 to purchase the bonds. His interest expense on the loan was $650. Jim used the standard deduction on his federal and Oregon returns. He will have an Oregon addition of $2,970. Jim will not reduce his addition for his loan interest expense because he claimed the standard deduction.

You will have an Oregon addition for interest or dividends on obligations of any authority, commission, instrumentality, or territorial possession of the United States. These are exempt from federal tax but not Oregon tax.

Oregon does not tax interest or dividends on obligations that states cannot tax under federal law. Examples of such obligations are bonds issued by:

- Territory of Guam.
- Commonwealth of Puerto Rico.
- Territory of Puerto Rico.
- Territory of Samoa.
- Territory of Virgin Islands.

Long-term care insurance premiums, federal deduction ORS 316.680 (2)(h)

[Addition code 104]

You may have an Oregon addition for long-term care insurance premiums if you answer yes to both of these questions:

- Are you claiming an Oregon long-term care insurance premiums credit? See page 101 for additional information.
- Are you claiming a federal deduction for the premiums as a medical expense or a business expense?

If you answered **yes** to both questions, use the following formula to figure the Oregon addition:

$$\frac{\text{Total long-term care premiums included in federal itemized deductions}}{\text{Total medical itemized deductions (Federal Schedule A, line 1)}} \times \text{Federal medical deductions allowed (Federal Schedule A, line 4)} = \text{Oregon addition}$$

If you answered **no** to either or both questions, you **do not have** an Oregon addition.

Example 1: Ciara, age 43, paid long-term care insurance premiums of $1,350 during the tax year. On her federal return she is limited to a $660 medical deduction for the premiums. She has other medical expenses of $4,120. Her total medical expenses on Schedule A are $4,780. Ciara has federal adjusted gross income (AGI) of $38,000. She must reduce her medical expenses by the 10 percent AGI limitation

($3,800). Her allowed medical deduction is $980 ($4,780 – 3,800). She computes her Oregon addition as follows:

$$\frac{\$660}{4{,}780} \times \$980 = \$135$$

Ciara must add back $135 on her Oregon return before she claims the Oregon long-term care insurance premiums credit.

Example 2: Frances, age 66 and single, paid long-term care insurance premiums of $2,800 during the tax year. On her federal return she may claim all of these premiums for her medical deduction. She has other medical expenses of $3,200. Her total medical expenses are $6,000. Frances has AGI of $39,000. She must reduce the expenses by the 7.5 percent AGI limitation ($2,925). Her allowed medical deduction is $3,075 ($6,000 – 2,925). She computes her Oregon addition to Oregon income as follows:

$$\frac{\$2{,}800}{6{,}000} \times \$3{,}075 = \$1{,}435$$

Frances must add back $1,435 on her Oregon return before she claims the Oregon long-term care insurance premiums credit.

Because Frances is over age 62 and has qualifying medical expenses, she is eligible for the special Oregon medical subtraction. This is in addition to the Oregon long-term care insurance premiums credit. For more information about the special Oregon medical subtraction, see page 69.

Exception to the addition

If you use the standard deduction on your federal return and claim itemized deductions for Oregon only, you will not have an Oregon addition for your long-term care insurance premiums.

Example 3: Danica, age 57 and single, used the standard deduction on her federal return. Danica's total itemized deductions are $4,100. Her long-term care insurance premiums are $1,000 of her $4,100 total itemized deductions. Because the federal standard deduction is more than her itemized deductions of $4,100, it benefits Danica to use the federal standard deduction. Danica filed an "Oregon-only" Schedule A with her Oregon return. She benefits more from her net Oregon itemized deductions of $3,800 ($4,100 – $300 Oregon state income tax) than she would from her Oregon standard deduction of $2,025. Because Danica had no federal benefit from her long-term care premiums, she will not have an Oregon addition for her premiums.

Business expense deduction

Did you claim a deduction for premiums paid for your employees on federal Schedule C, on your business tax return, or as an adjustment to income on Form 1040, line 29? If so, you will have an Oregon addition for the amount of premiums you deducted before you can claim the Oregon long-term care insurance premiums credit.

Part-year residents and Nonresidents

See page 85 for instructions on how to claim your addition as an "other deduction and modification."

Lump-sum distributions ORS 316.737

[Addition code 115]

Did you complete federal Form 4972 to figure the tax on your qualified lump-sum distribution using the 20 percent capital gain election and/or the 10-year tax option? If so, part or all of your lump-sum distribution was not included in your federal adjusted gross income (AGI). The excluded portion of your distribution must be included as an addition to your Oregon income.

Election to use 20 percent capital gain on federal Form 4972. Did you average the ordinary portion of your lump-sum distribution on federal Form 4972? Did you choose the 20 percent capital gain election on Form 4972? If you chose either of these options you will add to Oregon income the total amount of taxable income shown on your federal Form 1099-R.

The following examples show how to report your lump-sum distribution for Oregon purposes:

Example 1: Gary got a $20,000 lump-sum distribution from his employer. Of this, $12,000 was capital gain income, and $8,000 was ordinary income. Using IRS Form 4972, he chose to use the 10-year averaging method only on the $8,000 of ordinary income. He chose the 20 percent capital gain election on the $12,000 capital gain income. Gary will add all of his $20,000 lump-sum distribution to his Oregon income as an other addition on his Oregon tax return.

Election to treat the entire distribution as ordinary income and average it. Did you average **all** of your lump-sum distribution (ordinary income and capital gain portions) on federal Form 4972? If so, you will have an addition for the entire lump-sum distribution on your Oregon return.

Example 2: John received a $40,000 lump-sum distribution from his employer; $30,000 was capital gain income and $10,000 was ordinary income. He chose to average the entire distribution of $40,000 as ordinary income on his federal Form 4972. John will add all of his $40,000 lump-sum distribution to his Oregon income as an other addition on his Oregon tax return.

Election not to average any of your lump-sum distribution. Did you choose not to average any of your lump-sum distribution? If you included it in federal AGI, there is no addition on your Oregon return.

Oregon 529 College Savings Network ORS 316.680(2)(j)

[Addition code 117]

Did you withdraw funds from an Oregon 529 College Savings Network plan for nonqualified purposes? If so, you will have an "other addition" on your Oregon return for the amount you withdrew. Internal Revenue Code Section 529(e) defines qualified higher education expenses. For more information about Oregon 529 plans and examples of qualified withdrawals, see page 66.

Oregon Cultural Trust contributions ORS 315.675

[Addition code 104]

If you claimed a deduction on your Schedule A for your contribution to the Oregon Cultural Trust, you will have an Oregon addition for the amount you deducted. You will not add back the contribution you made to the other Oregon nonprofit cultural organization(s).

Example: Emma contributed $500 to the Oregon nonprofit cultural organization of her choice. She made a $500 matching donation to the Oregon Cultural Trust. On her Oregon return, Emma will claim a $500 credit for her matching donation to the Oregon Cultural Trust. If she claims both contributions ($1,000) as an itemized deduction on her Schedule A, she must add back the $500 contribution made to the Oregon Cultural Trust to her income as an Oregon "other addition."

For more information about the Oregon Cultural Trust, see page 103.

Oregon Production Investment Fund (auction) ORS 315.514

[Addition code 104]

If you claimed a deduction on Schedule A for the amount you paid for your Oregon Production Investment Fund tax credit, you will have an Oregon addition for the amount of your deduction.

Example: Beth bid on $2,000 worth of Oregon Production Investment Fund credits during the 2013 auction. She won all the credits she bid on and paid $1,900 for them. On her Oregon return Beth will claim an Oregon Production Investment Fund credit of $2,000. If she claims the $1,900 she paid for the credits as an itemized deduction on her Schedule A, she must add back that amount to her income as an Oregon "other addition."

For more information on the Oregon Production Investment Fund tax credit, see page 104.

Part-year residents and Nonresidents

See page 85 for instructions on how to claim your addition as an "other deduction and modification."

Renewable Energy Development contributions (auction) ORS 315.326

[Addition code 104]

If you claimed a deduction on Schedule A for the amount you paid for your Oregon Renewable Energy Development tax credit, you will have an Oregon addition for the amount of your deduction.

Example: Christina bid on $5,000 worth of Oregon Renewable Energy Development credits during the 2013 auction. She won all the credits she bid on and paid $4,750 for them. On her Oregon return Christina will claim an Oregon Renewable Energy Development credit of $5,000. If she claims the $4,750 she paid for the credits as an itemized deduction on her Schedule A, she must add back that amount to her income as an Oregon "other addition."

For more information on the Renewable Energy Development tax credit, see page 106.

Part-year residents and Nonresidents

See page 85 for instructions on how to claim your addition as an "other deduction and modification."

Self-employed health insurance deduction ORS 316.680(2)(h)

[Addition code 104]

Did you claim a deduction for long-term care insurance premiums on federal Form 1040, line 29, as part of your self-employed health insurance deduction? If so, before you can claim the long-term care insurance premiums credit, you will have an Oregon addition for the amount you deducted on Form 1040, line 29. See page 53.

Unused business credits ORS 316.680(2)(f)

[Addition code 122]

Did you claim a deduction on your federal return for unused business credits (UBC)? Oregon does not allow this deduction.

Full-year residents. You must report your federal UBC deduction as an Oregon addition.

Part-year residents. You will have an Oregon addition for your federal UBC deduction related to any UBC earned while you were an Oregon resident. You also must include any federal UBC deduction related to Oregon credits earned while you were a nonresident.

Nonresidents. You will have an Oregon addition for your federal UBC deduction related to Oregon credits earned while you were a nonresident.

University Venture Development Fund contributions ORS 315.521

[Addition code 104]

If you claimed a deduction on Schedule A for the amount of your University Venture Development Fund contribution, you will have an Oregon addition for the amount of your deduction.

Example: Amelia made a contribution to a University Venture Development Fund in the amount of $100,000. On her Oregon return she will claim a credit of $20,000 for her contribution (she is limited to 20 percent of her contribution, or her tax liability, in any given year). If Amelia claims the $100,000 contribution as an itemized deduction on her Schedule A, she must add back that amount ($100,000) to her income as an Oregon "other addition."

For more information on the University Venture Development Fund tax credit, see page 110.

Part-year residents and Nonresidents

See page 85 for instructions on how to claim your addition as an "other deduction and modification."

Subtractions

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

American Indian ORS 316.777

[Subtraction code 300]

Are you an American Indian? If so, you might not have to pay Oregon income tax on your income. You may be able to subtract all or part of your income if **all** the following are true:

- You are an enrolled member of a federally recognized American Indian tribe, and
- Your income is derived from sources within federally recognized Indian country in Oregon, and
- You lived in federally recognized Indian country in Oregon at the time the income is earned.

"Indian country" is defined as any land within a current federal Indian reservation boundary and other lands held in trust by the United States government for a tribe.

For enrolled members of federally recognized American Indian tribes who live in Indian country in Oregon, income exempt from Oregon income tax includes:

- Wages earned for work performed in Indian country in Oregon.
- Income from business or real estate located in Indian country in Oregon.
- Retirement income if the contributions to the plan came from or were connected with services performed in Indian country.
- Unemployment compensation if the benefits were received as a result of work performed in Indian country.
- Interest, dividends, and capital gains from the sale of stocks and other intangibles, regardless of where the accounts are located.
- Gambling winnings from Indian gaming centers (casinos).
- Indian tribal disbursements from casino earnings.

Remember: You must live on and have income derived from sources within Indian country in Oregon **and** be an enrolled member of a federally recognized tribe to subtract the income listed above. You do not have to live in and have income from the same Indian country. But the areas where you live and have income from must both be Indian country to qualify for the subtraction.

To claim the subtraction, you must report your total income on both the federal and Oregon tax returns.

You must file a completed copy of the *Exempt Income Schedule for Enrolled Members of a Federally Recognized American Indian Tribe,* with your Oregon return. Go to our website to download the schedule or call us. You must include the following information on the schedule:

- The street address of the place you worked, and
- The street address of the place you lived, and
- The tribe you are enrolled with and your membership number.

You must use the street address of your residence on the schedule so we can verify that you lived in Indian country when you earned your income. However, you may use your post office box address on your tax return.

If you meet **all** of the requirements, you may claim "exempt" on your Form W-4 for Oregon purposes only.

Income earned in Oregon, outside of Indian country, will be taxed by Oregon. Also, any Oregon income earned by a member not living in Indian country will be taxed by Oregon. Each member of a household with income must meet these qualifications in order to claim the subtraction of their income.

If you are an enrolled member of a federally recognized tribe and a member of the U.S. Armed Forces, stationed in Oregon, you may be entitled to an additional subtraction. For more information, call us.

Artist's charitable contribution ORS 316.838

[Subtraction code 301]

Oregon allows a subtraction to artists who contribute their own works of art to a recognized charitable organization or governmental unit.

What qualifies as a "work of art?"

The art object must qualify for the deduction allowed by IRC Sec. 170. It must be a painting, sculpture, photograph, graphic or craft art, industrial design, costume or fashion design, tape or sound recording, or film.

The charitable organization is not required to use the art for the same purpose or function that qualifies it for its federal tax exemption. You may deduct your charitable contribution even if the charitable organization sells the art.

You will need the appraisal report showing the fair market value of the art at the time of the contribution. You must send a copy of the appraisal report with your return.

How to calculate the subtraction

The subtraction is equal to the difference between:

1. The amount that would have been allowed as an itemized deduction if you could deduct the fair market value of the art (subject to the federal contribution limit)*, and
2. The actual allowable amount as an itemized deduction under federal tax law.

** Federal law limits charitable contributions. Contributions to some organizations are limited to 50 percent of your federal adjusted gross income (AGI). Contributions to others are limited to 30 percent of your AGI. Use these limits when you figure your deduction.*

Example: Ronda's AGI is $10,000. She donated one of her paintings to an organization for display in a building. The painting has a basis (cost) of $300 and a FMV of $6,000. Here is how she computes her subtraction:

1. Amount allowed as a charitable contribution if computed using FMV.	$6,000	
2. Amount allowed as a charitable contribution limited to 50% of AGI	$5,000	
3. Lesser of line 1 or line 2		$5,000
4. Amount allowed as a charitable contribution on federal Schedule A (basis)		($300)
5. Ronda's subtraction (line 1 minus 2)		$4,700

Part-year residents and nonresidents. Follow the same rules as a full-year resident. You do not have to prorate this subtraction.

Capital Construction Fund ORS 316.048

[Subtraction code 339]

If you subtracted your contributions to your qualifying capital construction fund (IRS Publication 595) on your federal return, you may also subtract that amount on your Oregon return.

The subtraction for Oregon is the same as the amount you identified as "CCF" and subtracted on Line 43 of your federal return.

Part-year residents and nonresidents. Enter the full subtraction in the federal column of your Oregon return. The amount allowed in the Oregon column is the Oregon percentage of your fishing trade or business that qualifies you for a CCF account.

Example: Greg moved out of Oregon in May and continued his fishing business in California. His Oregon net fishing income is $10,000 and his California net fishing income is $30,000. He put $15,000 into his CCF account during the past year. On his Oregon return, Greg will enter $40,000 for his fishing income in the federal column and $10,000 in the Oregon column. Greg's CCF subtraction in the federal column is the full $15,000. Since 25 percent of his eligible income was Oregon source, he is allowed a CCF subtraction of $3,750 ($15,000 x 25%) in the Oregon column.

Construction worker and logger commuting expenses ORS 316.812, 316.832

[Subtraction code 303]

If you are a qualified construction worker or logger, you may deduct certain commuting expenses on your Oregon return. To claim these expenses, you must have worked at one or more construction projects or logging operation sites more than 50 miles from your home.

A construction project is construction, alteration, repair, improvement, moving, or demolition of a structure. A logging operation is the commercial harvesting of forest products. People in other occupations are not eligible for this subtraction. Management personnel are not eligible for this subtraction either.

Qualifying workers. Loggers must be fallers or buckers who maintain their own equipment and are paid on a per-unit-cut basis. Construction workers must be members of a recognized trade, craft, or union.

Qualifying expenses. You may claim only the actual cost of gas, oil, repairs, and maintenance for your vehicle for getting to and from work sites that are over 50 miles from your home. You cannot use a standard mileage rate to figure expenses.

If you use your vehicle both for business and personal purposes, you must determine your portion of business use. Keep a mileage log book during the year to track your business use and record all business trip miles. You should also record your starting and ending odometer reading for your vehicle each year. You may claim only the business portion of your repairs and maintenance as commuting expenses. You cannot claim depreciation. To claim the actual business expenses for your qualified commute miles, you will need to keep your vehicle records during the year.

Keep receipts for all your fuel (e.g., gas, diesel), oil change, repair, and maintenance costs in your permanent tax records.

Example: Ewan is a construction worker. He uses his truck for both personal and business purposes. He worked on three construction jobs during the year. Two of the jobs were located more than 50 miles away from his home. Ewan kept a log book in his truck and recorded each trip to and from the construction sites. He also kept a record of his truck expenses—his receipts for diesel fuel, oil changes, repairs, and maintenance for the year. These receipts totaled $4,215.

Ewan's odometer readings were:

Year end: December 31	38,306
Year beginning: January 1	26,327
Total miles driven	11,979

Ewan's mileage log book showed that his mileage to and from qualified construction job sites totaled 4,716 miles.

He will use this formula to determine the business use of his truck and the amount of truck expenses which will qualify for this subtraction:

$$\frac{\text{Qualified construction miles}}{\text{Total miles driven}} \times \text{actual expenses} = \text{Subtraction}$$

$$\frac{4{,}716}{11{,}979} \times \$4{,}215 = \$1{,}659$$

Ewan will claim a subtraction of $1,659 on his Oregon return.

Duration of project. If you are a construction worker, claim only your expenses for the first year of continuous employment at any one construction site. If your employment continues beyond one year, the job site is considered permanent. You may not subtract any additional commuting costs for going to and from that site after the first year at that worksite. If your employment at that job site is temporarily interrupted, do not count the interruption when you figure the one-year limit.

If you are a logger, there is no limit on how long you can work at the same job site and still claim expenses.

How to claim the subtraction. Claim your commuting expenses as an "other subtraction" on your Oregon return. You cannot subtract expenses related to the same mileage claimed as an employee business expense on your Schedule A.

Part-year residents and nonresidents. You can claim only expenses related to income included in the Oregon column of your Oregon return.

Conversions and exchanged property ORS 314.290 (repealed), 316.716

[Subtraction code 306]

Oregon law used to require an addition for gain on the sale or exchange of certain property deferred on the federal return. This statute was repealed in 2001. If you were required to make this addition before 2001, you have already been taxed by Oregon for the gain on the sale or exchange of your property. If this gain is now included in your federal income, you may claim a subtraction for the amount of the gain previously taxed by Oregon.

DISC dividend payments ORS 316.749

[Subtraction code 352]

Oregon allows a subtraction for the dividend payments you received from a domestic international sales corporation (DISC). To claim the subtraction, your dividend payments must be included in your federal adjusted gross income.

Discharge of indebtedness from reacquisition of debt instrument ORS 316.739

[Subtraction code 350]

Did you claim an addition for discharge of indebtedness from reacquisition of a debt instrument on your 2009 or 2010 Oregon return? If so, you may claim a subtraction on your Oregon return. Generally, you were allowed to defer the income until 2014 and then must claim it over a 5-year period. Claim the subtraction on your Oregon return in the year(s) you claim the deferred income on your federal return.

Federal income tax liability ORS 316.680, 316.685, 316.695

Current year's federal tax liability. Oregon allows a subtraction for your current year's federal income tax liability after credits. The subtraction for 2013 is limited to $6,250 ($3,125 if married/RDP filing separately).

The subtraction is based on the accrual method of accounting. This means you subtract the total amount of your federal tax liability after credits for

the current tax year (not less than zero) as shown on your original return, regardless of when you pay it.

The subtraction is limited to income tax. This includes alternative minimum tax, tax on an IRA (Individual Retirement Arrangement), and recapture taxes. You cannot include self-employment tax or Social Security (FICA) tax.

Federal income tax credits, excluding the earned income credit, reduce your federal tax subtraction. The credits for federal tax on special fuels, special oils, and a regulated investment company will not reduce your federal tax subtraction.

You can deduct your federal income tax liability after credits, up to $6,250 ($3,125 if married/RDP filing separately) based on your income and filing status. Do not fill in less than -0- or more than $6,250. Use the federal tax worksheet to figure your federal income tax liability.

RDPs: Use amounts from your actual return(s), not your "as if" return.

Additional federal income tax paid or determined [Form 40 subtraction code 309; 40N and 40P deduction code 602]. If you paid additional federal tax because your federal return was amended or audited, you may subtract it in the year the tax was paid or determined, whichever is later. Your additional prior year's federal tax plus your current year's federal tax **cannot** be more than your current year federal tax subtraction limit.

This subtraction applies only to additional federal income tax **paid** because your return was amended or audited. It does not include withholding tax, advance tax payments, interest, penalties, or paying the tax due on your original federal return. Use the federal tax worksheet, part B, to figure your federal tax from a prior year.

Amended returns. If your federal tax liability for a prior year is changed, follow these rules when filing an amended Oregon return for that year:

1. **Additional federal tax paid or determined:** If you are filing an amended Oregon return to report changes made to your federal return, do not increase the federal tax subtraction. Report the additional federal tax in the year the tax was paid or determined, whichever is later.

   Exception. Any amended Oregon return filed before the due date (excluding extensions) for that tax year should show the corrected federal tax liability. This is true even if you have not yet paid the additional tax.

2. **Refund of federal tax:** Do not change the federal tax subtraction on your amended Oregon return. Report your federal refund as an addition in the year you receive the refund if you received a tax benefit. For information about tax benefit, see page 51.

   Exception. If you file an amended return before the due date (excluding extensions) for the tax year involved, report the corrected federal tax liability. Do not report the refund in the year you receive it.

Federal Tax Worksheet

Part A: Federal Tax Subtraction

1.	Enter your federal tax liability from Form 1040, line 55; Form 1040A, line 35; Form 1040EZ, line 10; Form 1040NR, line 52; or Form 1040NR-EZ, line 15.	1. _____
2.	Enter your tax on qualified retirement plans from Form 1040, line 58; or Form 1040NR, line 56; your first-time homebuyer credit recapture;* any recapture taxes you included on the dotted line of Form 1040, line 60; or Form 1040NR, line 59; and the amount on Form 1040NR, line 53.	2. _____
3.	Add lines 1 and 2.	3. _____
4.	Enter the amount reported on Form 1040, line 66; or Form 1040A, line 40.	4. _____
5.	Enter the amount reported on Form 1040, line 71; or Form 1040NR, line 67 from form 8885.	5. _____
6.	Add lines 4 and 5.	6. _____
7.	Subtract line 6 from line 3 (if less than -0-, enter -0-).	7. _____
8.	Enter your maximum allowable tax liability subtraction from the table below. Don't fill in less than -0- or more than $6,250.	8. _____
9.	Enter the smaller of line 7 or line 8 here and on Form 40, line 13 or Form 40N or 40P, line 45.	9. _____

**Did you file federal form 5405? If you are required to repay your 2008, 2009, or 2010 first-time homebuyer credit because you disposed of your home or stopped using it as your main home, you may subtract your federal tax recapture. Add the amount reported on your federal form 1040, line 59b, or federal form 1040NR, line 58b, to the amount included on line 2 of the worksheet above. Do not add this amount if you are repaying your 2008 credit and still live in your qualifying home as your main residence.*

Part B: Federal tax paid in a prior year
[Form 40 subtraction code 309]
[Forms 40N or 40P deduction code 602]

1. Enter maximum amount from table (Part A, line 9). 1. _____
2. Enter federal tax liability subtraction (Part A, line 9). 2. _____
3. Subtract line 2 from line 1. If the result is -0-, you cannot deduct your federal tax from a prior year. If greater than -0-, enter the amount on line 3. 3. _____
4. Enter the amount of federal tax you paid in 2013 for a prior year. 4. _____
5. Enter the smaller of line 3 or line 4 here and on Form 40, line 18 (subtraction code 309) or Form 40N or 40P, line 46 (deduction code 602). 5. _____

Part C: Foreign tax subtraction
[Form 40 subtraction code 311]
[Forms 40N or 40P deduction code 603]

1. Enter maximum amount from table (Part A, line 9). 1. _____
2. Enter your federal tax liability subtraction (Part A, line 9). 2. _____
3. Subtract line 2 from line 1. 3. _____
4. Enter federal tax from a prior year (Part B, line 5). If no tax was paid, enter -0-. 4. _____
5. Subtract line 4 from line 3. If the result is -0-, you can't deduct your foreign tax. If greater than -0-, enter the amount on line 5. 5. _____
6. Enter the amount paid in foreign tax, but not more than $3,000 ($1,500 if married/RDP filing separately). 6. _____
7. Enter the smaller of line 5 or line 6 here and on Form 40, line 18 (subtraction code 311) or Form 40N or 40P, line 46 (deduction code 603). 7. _____

If your filing status is:	and your federal adjusted gross income is: *at least—*	*but less than—*	then your maximum allowable tax liability subtraction is:
Single	-0-	$125,000	$6,250
	$125,000	$130,000	$5,000
	$130,000	$135,000	$3,750
	$135,000	$140,000	$2,500
	$140,000	$145,000	$1,250
	$145,000 or more		-0-
Married/RDP filing separately	-0-	$125,000	$3,125
	$125,000	$130,000	$2,500
	$130,000	$135,000	$1,875
	$135,000	$140,000	$1,250
	$140,000	$145,000	$625
	$145,000 or more		-0-
Married/RDP filing jointly or Head of household or Qualifying widow(er)	-0-	$250,000	$6,250
	$250,000	$260,000	$5,000
	$260,000	$270,000	$3,750
	$270,000	$280,000	$2,500
	$280,000	$290,000	$1,250
	$290,000 or more		-0-

Federal pension income ORS 316.680(1)(f)

[Subtraction code 307 for 40N and 40P only]

You may be able to subtract some or all of your taxable federal pension included in federal income. This includes benefits paid to the retiree or the beneficiary. It does not include disability payments if you have not attained the minimum retirement age. The subtraction amount is based on the number of months of federal service or points earned for retirement before and after October 1, 1991:

- If all of your months of federal service occurred or points were earned before October 1, 1991, subtract 100 percent of the taxable federal pension income you reported on your federal return.
- If you have no months of service or points earned before October 1, 1991, you cannot subtract any federal pension.
- If your service occurred or points were earned both before and after October 1, 1991, you will subtract a percentage of the taxable federal pension income you reported on your federal return.

  To determine your percentage, divide your months of service or points earned before October 1, 1991, by your total months of service or points earned. Round your percentage to three places (example: 0.4576 = 45.8%). Once you determine the percentage, it will remain the same from year to year.

Example 1: Jared worked for the U.S. Department of Agriculture from May 1, 1977, until July 31, 2012. He worked a total of 423 months—173 months before October 1, 1991. In 2013, he received federal pension income of $65,000. He can subtract 40.9 percent (173 ÷ 423) or $26,585 (.409 × $65,000) of his federal pension. Jared will continue to subtract 40.9 percent of his federal pension from Oregon income in future years.

Use this worksheet to determine your federal pension income subtraction amount:

1. Federal pension income included in federal AGI. 1. $ _____

2. a. Months of service or points earned from _____ (fill in federal service start date) to October 1, 1991. a. ____ months*/ points

   b. Months of service or points earned from _____ (fill in federal service start date) to _____ (fill in federal service retirement date). b. ____ months**/ points

   Divide the number of months or points on **line a** by the total number of months or points on **line b.** This is your federal pension subtraction percentage. Round the decimal to three places and enter it here. 2. _____

3. Multiply **line 1** by the decimal on **line 2.** This is your federal pension subtraction. 3. $ _____

* **Federal service start date:** If your federal service start date was the 1st through the 15th of a month, include the entire month when counting federal service.

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

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

Keep a copy of this worksheet with your permanent tax records. **You will continue to use the same percentage,** from line 2, to determine your federal pension subtraction in future years.

Example 2: Robin served in the U.S. Army Reserves from June 20, 1987 through May 18, 2012. As a retired member of the reserves, Robin's service is easier measured by the retirement points she earned. Her Chronological Statement of Retirement Points shows that she earned 1,917 retirement points before October 1, 1991, out of a total 3,510. Robin received $25,000 in pension benefits in 2013. The following worksheet shows how she will determine her federal pension subtraction.

1. Federal pension income included in federal AGI. 1. $25,000

2. a. Points earned before October 1, 1991. a. 1,917 points
   b. Total points earned. b. 3,510 points

   Divide the number of points on **line a** by the total number of points on **line b.** Round the decimal to three places. This is Robin's federal pension subtraction percentage. 2. 0.546

3. Multiply **line 1** by the decimal on **line 2.** This is Robin's federal pension subtraction. 3. $13,650

Federal Thrift Savings Plan. Once a taxpayer is a retiree, withdrawals from federal thrift savings plan (TSP) accounts are eligible for the subtraction based on dates of service. Withdrawals prior to retirement are not eligible because the taxpayer must be a retiree at the time of withdrawal to be eligible for the subtraction. If the taxpayer moves money from a TSP to another type of account, the account loses its character and is no longer a federal pension. In this case, future withdrawals would not be eligible for the subtraction.

Nonresidents. Claim a subtraction for federal pension income only if you reported it on your Oregon return. Oregon does not tax your retirement income unless you have kept Oregon as your domicile. For more information, see page 42.

Federal tax credits ORS 316.716

[Subtraction code 340]

If you qualify for certain federal tax credits, you must reduce your business expenses or itemized deductions on your federal return by the amount of the credit you figured for the year. Oregon allows a subtraction or itemized deduction for the amount of expenses you could not claim on your federal return. Subtract these expenses on your Oregon return in the year you first claimed the federal credit, even if the federal credit is carried over. If you had to itemize deductions to claim these expenses for federal purposes, then you must itemize for Oregon as well.

Part-year residents and nonresidents. If your federal credit is related to a business not operated solely in Oregon, you must prorate your subtraction. Use the following formula to determine your Oregon subtraction or deduction:

$$\frac{\text{Oregon expenses}}{\text{Total expenses*}} \times \text{Expenses not allowed on your federal return}$$

If your federal credit is related to a business operated entirely in Oregon, you will not prorate your Oregon subtraction.

**Do not reduce by your federal credit.*

Partnerships and S corporations. If your federal credit is from a partnership or S corporation, you may subtract a percentage of the expenses not deductible on your federal partnership or S corporation return. This amount will usually be the same as the percentage of total partnership or S corporation income you report on your return. Nonresidents or part-year residents must use the percentage explained in the previous paragraph to further prorate the expenses.

Health Coverage Tax Credit. If you claimed this credit on your federal return, you might be allowed a subtraction on your Oregon return. Oregon allows a subtraction or itemized deduction for the self-employed health insurance deduction or itemized deductions you could not claim on your federal return because you claimed the Health Coverage Tax Credit (HCTC). Please contact us if you claimed the HCTC on your federal return.

Part-year residents and nonresidents may need to use a different subtraction/deduction code. If you would have taken the self-employed health insurance deduction on the front of your federal return, use subtraction code 340 on the front of your Oregon Form 40N or Form 40P. If you would have itemized deductions of your qualifying health insurance premiums, use deductions and modifications code 609 on the back of your Oregon Form 40N or Form 40P. Please contact us for information on how to calculate your subtraction or deduction.

Foreign income tax ORS 316.690

[Form 40: Subtraction code 311]
[Forms 40N/40P: Deduction code 603]

You can subtract taxes paid to a foreign country if on your **federal** return:

- You claimed a credit for taxes you paid to a foreign country, or
- You did not claim a credit for tax you paid to a foreign country **and** you did not claim the foreign taxes as an itemized deduction.

Your foreign tax **plus** your current federal tax (and any additional federal tax paid for a prior year) cannot be more than $6,250 for 2013. The foreign tax portion of your federal tax subtraction cannot be more than $3,000 ($1,500 if married/RDP filing separately).

If you claimed foreign taxes as an itemized deduction on your federal return, you may claim them in full on your Oregon return as part of your itemized deductions. The amount shown on your federal Schedule A is not subject to the $6,250 limit. If you claim the foreign taxes as an itemized deduction, you may not also claim them as a subtraction.

Your foreign tax subtraction is the smallest of:

- Your 2013 foreign tax, or
- The maximum 2013 federal tax subtraction of $6,250 reduced by the sum of the 2013 federal tax you are claiming plus any prior year federal tax paid in 2013, or
- $3,000 ($1,500 if married/RDP filing separately).

Use the Federal Tax Worksheet, Part C, on page 61 to figure your foreign tax subtraction or deduction.

Income from a composite return OAR 150-314.778(3)(d)

[Form 40N/40P only: Subtraction code 341]

If you are an electing owner of a pass-through entity (PTE), you may need to file a personal income tax return in addition to the Oregon composite return, (Form OC), that is filed on your behalf by the PTE. This is necessary when you have other Oregon-source income to report.

File Form 40N if you have income not already reported on a Form OC. Follow the instructions in our booklet for Form 40N. Enter all income (including income reported on the Form OC) in the federal column, line 18F, of your Form 40N. Also, enter all Oregon-source

income (including Oregon-source income reported on Form OC) in the Oregon column, line 18S, of your Form 40N. Because the income reported on Form OC has already been taxed, you will subtract that amount in the federal and Oregon columns, lines 37F and 37S, on Form 40N. Identify the subtraction using code 341.

Note: Do not claim the tax paid on your behalf by the PTE as a payment on your Form 40N. That payment was already used to pay the tax on the income reported on Form OC.

For more information, see the Oregon Composite Return instructions or contact us.

Individual Development Account ORS 316.848

[Subtraction code 314]

For information on the Oregon subtraction, see page 82.

Interest and dividends on U.S. bonds and notes ORS 316.680(1)(a)

[Forms 40N/40P only: Subtraction code 315]

Did you include any interest or dividends from U.S. bonds and notes in your federal income? If so, you may subtract this income on your Oregon return. Common examples of U.S. government interest include savings bond and Treasury bill interest.

You may also subtract U.S. government interest (called state exempt-interest dividends) from regulated investment companies and pools of assets managed by a fiduciary. These include, but are not limited to, banks, savings associations, or credit unions. To qualify, the regulated investment company or pool of assets must invest in U.S. government securities. **These securities must be tax-exempt for Oregon.** The subtraction is limited to your share of the amount of interest actually earned from the qualifying U.S. government securities. See the list below.

You cannot subtract amounts when the U.S. government only guarantees the security. If you receive distributions from a retirement plan, you may not subtract pension income received from funds invested in U.S. government securities.

Part-year residents and nonresidents. You may claim the subtraction only for interest and dividends you included as income taxable by Oregon.

Any gain recognized for federal tax purposes on the sale of U.S. bonds and notes is also taxable by Oregon.

If you claim related expenses

Special treatment is required if you claim expenses connected with U.S. bonds and notes as an itemized deduction. The expenses include interest on money borrowed to buy the bonds and notes. They also include expenses incurred in the production of income from the bonds and notes. Because Oregon does not tax the income from these bonds and notes, it doesn't allow a deduction for the expenses. You must reduce your subtraction by the amount of the expenses you deducted on your federal return.

Example: Charles earned $620 of interest income from his Series EE bonds. He had borrowed $6,000 to buy the bonds. During the year he paid $200 interest on the loan. He included the $200 interest expense as an itemized deduction on his Schedule A. His Oregon subtraction will be $420.

Series EE bond interest received	$620
Interest expense connected with bonds and deducted on Schedule A	–200
Oregon subtraction	$420

Below is a detailed list of bonds and notes that may or may not qualify for this subtraction. For a list of obligations that are exempt from both state and federal taxation, see page 53.

QUALIFIES	BOND/NOTE
Yes	Banks for Cooperatives District of Columbia
Yes	Commodity Credit Corporation
No*	Export-Import Bank
No	Farmers Home Administration
Yes	Federal Deposit Insurance Corporation
Yes	Federal Farm Credit Bank
Yes	Federal Financing Bank
No	Federal Home Loan Mortgage Corporation (Freddie Mac)
Yes	Federal Home Loan Bank
Yes	Federal Intermediate Credit Bank
Yes	Federal Land Bank and Federal Land Bank Association
No	Federal National Mortgage Association (Fannie Mae)
Yes	Federal Savings and Loan Insurance Corporation
No	Federal tax refunds
Yes	Financing Corporation (FICO)
Yes	General Insurance Fund

No*	Government National Mortgage Association (Ginnie Mae)
Yes	Government Services Administration (GSA Public Building Trust Participation Certificate)
No	International Bank for Reconstruction and Development
Yes	Production Credit Association (PCA)
Yes	Resolution Funding Corporation (REFCO)
No	Repurchase agreements (Repos)
Yes	Series EE, HH, and I Bonds
No*	Small Business Administration
Yes	Student Loan Marketing Association (Sallie Mae)
Yes	Tennessee Valley Authority
Yes	Treasury bills and notes—interest
No	Treasury bills and notes—gain on sale
No	U.S. Merchant Marine bonds
Yes	U.S. Postal Service bonds
No*	Washington (D.C.) Metropolitan Transit Authority
Yes	Zero coupon obligations of the U.S. (for example, "CATs," "STRIPS," "TIGRs," etc.)

** If the creditor has defaulted and the U.S. government/ Export-Import Bank is paying the interest, it is nontaxable.*

Land donations to educational institutions carryforward ORS 316.852

[Subtraction code 316]

This provision expired December 31, 2007. However, if you had a qualifying donation or sale prior to that date, you may still have contribution amounts to carryforward.

The subtraction allowed in any tax year is limited to a specific percentage of your contribution base. Your contribution base is federal adjusted gross income computed without any net operating loss carryback.

If you **donated** land to a qualified entity, your Oregon subtraction cannot be more than 50 percent of your contribution base.

If you **sold** land to a qualified entity for less than its fair market value, the Oregon subtraction cannot be more than 25 percent of the contribution base.

Example 1: In tax year 2007, Marykate has a contribution base of $100,000. She sells land with a fair market value of $500,000 to a local school district for $200,000 cash. Marykate's contribution of $300,000 is limited to 25 percent of her contribution base. In 2007 Marykate can claim an Oregon subtraction of $25,000.

Carryforward. You can carry forward for a maximum of 15 years any contribution you do not subtract because it is more than the specified percentage of the contribution base. Any contributions not subtracted by 2022 will be lost.

Example 2: Using the same facts as in Example 1, Marykate can carry forward her remaining $275,000 contribution to the next tax year. Her subtraction will be limited by her contribution base for 2008 and each year thereafter.

Local government bond interest ORS 286A.140

[Subtraction code 317]

You can subtract interest or dividends on obligations of counties, cities, districts, ports, or other public or municipal corporations or political subdivisions of Oregon to the extent included for federal income tax purposes.

Reduce the amount subtracted by any interest on debt incurred to carry the obligations or securities. Also reduce the amount by any expenses incurred in the production of interest or dividend income.

Lottery winnings ORS 461.560

[Subtraction code 322]

Oregon will not tax your winnings from an Oregon Lottery ticket or play that results in winnings of $600 or less. Individual Oregon Lottery winnings of more than $600 **per ticket or play** are taxed by Oregon and are not eligible for the subtraction.

"Oregon Lottery" means all games offered by the Oregon State Lottery commission and purchased in Oregon, including games jointly administered by Oregon and other states (such as Powerball). Oregon Lottery does not include gambling winnings from other sources, such as tribal gaming centers.

Winnings over $600 from a single ticket or play are fully taxable and may be reported by Oregon Lottery on Form W-2G. Lottery winnings that are more than $5,000 will have eight percent withheld for Oregon taxes. If state income tax was not withheld from your gambling winnings of $5,000 or more, you should consider making estimated tax payments or

increasing your withholding. See page 116 for information about increasing Oregon income tax withheld from your wages.

Do you have gambling losses claimed as an itemized deduction? If so, see page 52 for information about your Oregon addition. If you are an American Indian, see page 57.

Example: Margaret purchased two Oregon Lottery tickets and won $1,000 on one ticket and $500 on the other. She also won $300 from a lottery ticket she bought in Idaho, and $150 on a slot machine at an Oregon casino. Margaret included all $1,950 in winning on her federal return. Margaret can subtract $500 of her Oregon Lottery ticket winnings on her Oregon return using code 322.

Nonresidents: Oregon Lottery winnings are taxable to nonresidents. Oregon Lottery winnings included in federal taxable income are eligible for the subtraction when winnings per ticket or play are $600 or less.

Exception for pre-1998 tickets: You may subtract all Oregon Lottery winnings included in your federal income from tickets purchased prior to January 1, 1998. Did you assign your lottery winnings to a private company and receive a lump-sum settlement? If so, your settlement is not taxable by Oregon if your winning ticket was purchased before January 1, 1998. Winnings form tickets purchased on or after January 1, 1998 are fully taxable.

Mobile home park capital gain exclusion note following ORS 316.791

[Subtraction code 338]

Amounts received from the sale of a mobile home park to a tenants' association are exempt from Oregon income tax.

If you included this gain in income on your federal return, you may claim a subtraction for the gain amount on your Oregon return. Enter the amount as an "other subtraction."

To qualify, the park must have been sold to a tenants' association nonprofit organization, community development corporation, or a housing authority.

Mobile home park payments ORS 316.795

[Subtraction code 344]

Payments received from your former landlord because your mobile home park is being closed are exempt from state taxation. These payments must have been included in your federal income to be subtracted.

Mortgage interest credit ORS 316.716

[Form 40: Subtraction code 320]
[Forms 40N/40P: Deduction code 607]

1. Did you claim a mortgage interest credit on your federal return?
2. Did you claim your mortgage interest as an itemized deduction on federal Schedule A?
3. Did you reduce your mortgage interest deduction by the federal mortgage interest credit?
4. Are you also claiming these itemized deductions for Oregon?

If you answered "yes" to all four questions, you will have a subtraction for mortgage interest on the Oregon return. You will claim a subtraction for the amount of mortgage interest credit allowed on your federal return.

Take the subtraction in the year of the payment even if the federal credit is carried forward.

Example 1: Stephanie and Phillip pay $5,000 in mortgage interest this year. They are entitled to a 50 percent credit limited to $2,000 on their federal return. They will claim the $2,000 credit and itemize $3,000 of mortgage interest on Schedule A. For Oregon, they will claim a subtraction of $2,000.

Example 2: Use the same facts as Example 1, except that Stephanie and Phillip's federal tax liability is $1,500. They will show the $1,500 as a credit on their federal return, itemize $3,000 of mortgage interest on Schedule A, and have a $500 credit to carry over to the following year. Their Oregon subtraction for mortgage interest will be $2,000. They will not carry forward any amount for Oregon.

Oregon 529 College Savings Network ORS 316.699

[Subtraction code 324]

You can subtract contributions you made to an Oregon 529 College Savings Network account during the tax year of up to $4,455 if you file a joint return ($2,225 for all others). These state-sponsored plans qualify for special tax status as qualified tuition programs under Internal Revenue Code Section 529.

Account holders can save money for college for any designated beneficiary. Once you open an account and select an investment option, the Oregon 529

College Savings Network board and the private investment company manage your investment.

You can subtract your contribution if you make it before the date you file your tax return or before the due date of your return, without extensions, **whichever is earlier.**

Example 1: Bella would like to contribute to her niece's Oregon 529 College Savings Plan. She plans to request an extension to file her 2013 return. For Bella to qualify for the $2,225 subtraction, she must make a contribution of at least that amount no later than the due date of her return, without extensions. Bella must make her contribution by April 15, 2014.

Example 2: Rodrigo made a contribution of $1,800 to his son's Oregon 529 College Savings Plan on March 10, 2014. He filed his 2013 tax return on March 3, 2014. Because he made his contribution after he filed his 2013 return, he cannot claim the $1,800 subtraction on that return. He can claim the subtraction on his 2014 return.

Carryforward. If you make a contribution of more than the maximum allowable subtraction in one year, you may carry forward the amount not subtracted over the next four years.

Example 3: Korey and Keri contributed $15,000 in 2013 to an Oregon 529 College Savings plan for their son. They may subtract a maximum of $4,455 on their 2013 return. They can carry forward the remaining $10,545 balance of their contribution.

Funds withdrawn to pay qualified expenses will not be taxed. Qualified withdrawals include expenses for tuition, fees, books, supplies, equipment, and room and board at an eligible educational institution anywhere in the United States and foreign countries. A list of the United States and foreign schools that qualify is on the U.S. Department of Education website at www.fafsa.ed.gov.

You may need to add back funds withdrawn for a nonqualified purpose to the Oregon return as an "other addition." See page 55.

Corporations and partnerships may establish accounts for individual beneficiaries.

For more information about Oregon 529 plans, go to www.oregoncollegesavings.com or call 1-866-772-8464 in Salem.

Oregon income tax refund ORS 316.695

[Forms 40N/40P only: Subtraction code 325]

Oregon allows a subtraction for Oregon state income tax refunds included in federal income. Oregon does not allow a subtraction for any other state income tax refund.

Oregon Investment Advantage ORS 316.778

[Subtraction code 342]

Oregon has an income tax exemption program for business development in Oregon. The program is available to both new and expanding businesses.

Who is eligible for the exemption?

The exemption is an 8-year waiver of all income and excise taxes relating to qualifying business operations. The Oregon Economic and Community Development Department (OECDD) administers this program.

To qualify, a company must create at least five new full-time, year-round jobs. The jobs also have minimum pay requirements. Facility operations must be the first of their kind in Oregon for the company and they must not compete with existing businesses in the area. Areas of Oregon that qualify for development can change from year to year. Local unemployment rates and per capita income data determine eligibility. For a list of qualifying counties, go to www.oregon-4biz.com/The-Oregon-Advantage/Tax-Incentives/The-oregon-Investment-Advantage/OIA-Counties.

How is a facility certified?

There are two application forms necessary for this program. A preliminary certification is completed before hiring or any construction work is done. An annual certification is then completed for each of the 8 years that the income tax exemption is claimed.

To find out more about this program or download an application form, contact OECDD at www.oregon-4biz.com/The-Oregon-Advantage/Tax-Incentives/The-oregon-Investment-Advantage.

How is the subtraction computed?

The exempt income is determined by multiplying the taxpayer's federal taxable income by the ratio of their federal adjusted gross income (FAGI) derived from the business over their total FAGI.

The resulting amount is then multiplied by the ratio of the business' income derived from the business' sales at the certified facility over its sales from all business activities. This amount is subtracted from Oregon income as an "Other subtraction."

Nonresident and part-year resident taxpayers determine exempt income by multiplying only

Oregon-sourced federal taxable income in the first step of the computation above.

For additional information on determining income derived from qualifying activities, see OAR 150-316.778.

Previously taxed employee retirement plans ORS 316.159

[Subtraction code 327]

Oregon allows residents to subtract payments from an individual retirement account (IRA), Keogh plan, Simplified Employee Pension (SEP) plan, and certain government plans if another state has already taxed contributions or a portion of the contributions to the plan.

The payments must be included in federal adjusted gross income. **All** of the following conditions must be met for the contributions to qualify:

- Contributions were made while a nonresident of Oregon.
- No previous state income tax deduction, exclusion, or exemption was allowed or allowable at the time contributions were made.
- No previous state income tax deduction, exclusion, credit, subtraction, or other tax benefit has been allowed for the contributions.
- Contributions have been taxed by another state.

The subtraction continues until all qualifying contributions are recovered.

A statement from the payer showing your total contributions and the start date of your benefits will help you figure your subtraction. Keep this statement with your tax records.

Example 1: Judith lived in California. From 1980 to 1996 she contributed to an IRA. In 1980 and 1981 she contributed $1,500 each year. From 1982 through 1996 she contributed $2,000 each year.

Both federal and California allowed a maximum deduction of $1,500 for 1980 and 1981. For 1982 through 1986, federal allowed a maximum of $2,000, and California allowed a maximum of $1,500. Both federal and California allowed a maximum of $2,000 for 1987 through 1996.

Judith contributed $2,500 ($500 × 5 years) from 1982 through 1986 that she was not allowed to deduct on her California returns.

Judith retired and moved to Oregon in November 2013. She receives payments of $1,000 a month from the California IRA. These payments are subject to Oregon tax because she is now an Oregon resident. However, Oregon will allow Judith to subtract the contributions that California has already taxed ($2,500).

Judith received two payments of $1,000 in 2013 for a total of $2,000. She can subtract the entire $2,000 on her 2013 Oregon return. In 2014, she will be able to subtract the balance of $500 ($2,500–2,000) as long as she receives at least that much from her California IRA. From that point on, no subtraction on the Oregon return for recovery of contributions is allowed.

Example 2: Use the same facts as in Example 1, except Judith lived and worked in Washington before moving to Oregon. When she made contributions, she was allowed a federal deduction each year. However, she didn't get a state tax deduction, because Washington does not have an income tax. After retiring and moving to Oregon, Judith receives the same payments as above. She does not qualify for the Oregon subtraction because her contributions were not taxed by another state.

Previously taxed IRA conversions ORS 316.680(1)(g)

[Subtraction code 348]

Oregon allows a subtraction for converting a traditional individual retirement account (IRA) to a Roth IRA, if the IRA is taxed by another state. You must include the payments in federal taxable income to claim the subtraction.

Example: Susan lived in New York in March 2013, when she converted her $100,000 traditional IRA to a Roth IRA.

In September, she moved to Oregon. New York state will tax her IRA when she becomes a nonresident. Susan can subtract the amount included in federal income when she files her 2013 Oregon tax return.

Public Safety Memorial Fund Awards ORS 316.680(1)(h)

[Subtraction code 329]

You may subtract from Oregon income amounts awarded to you by the Public Safety Memorial Fund Board. The award must be included in federal taxable income to claim the subtraction.

Public Safety Memorial Fund Awards are for public safety officers with certain job-related permanent total disabilities. These awards are also available to family members of a public safety officer who is killed in the line of duty or while interceding in a crime.

Railroad Retirement Board benefits ORS 316.054

[Subtraction code 330]

The Railroad Retirement Act of 1974 prohibits states from taxing certain railroad benefits. This act pertains to all benefits issued by the **Railroad Retirement Board.** Oregon allows a subtraction for Tier 1 Railroad Retirement Board benefits (the same as for Social Security benefits). Oregon Administrative Rule 150-316.054 extends the subtraction to the other supplemental Railroad Retirement Board benefits including Tier 2, windfall, vested dual, supplemental annuities, unemployment, and sickness.

Tier 1 benefits. Tier 1 benefits are reported like Social Security on your federal return. Subtract these benefits with Social Security on the Oregon return.

Tier 2, windfall, vested dual, supplemental annuities, unemployment and sickness paid by the Railroad Retirement Benefits Board. These benefits are reported on the private pension line of your federal return. Subtract these benefits on the "other subtraction" line on your Oregon return.

Other benefits. A retired railroad employee may receive other retirement benefits from their employer. Benefits paid by private railroad employers are private pensions taxed the same on both the federal and Oregon returns. There is **no Oregon subtraction** for retirement benefits paid by private railroad employers.

Only benefits paid by the Railroad Retirement Board qualify for the subtraction. Railroad Retirement Board benefits are reported on a 1099. All are labeled **Form RRB-1099-R.** Tier 1 benefits are on a blue 1099. Other benefits are shown on a green 1099. More information on Railroad Retirement Board benefits is available on the board's website at www.rrb.gov.

Scholarship awards used for housing expenses ORS 316.846

[Subtraction code 333]

You can subtract scholarships used for housing expenses from Oregon income. You must include the scholarship in federal taxable income for the year to claim the subtraction.

You can claim the subtraction if the scholarship was awarded to you or your dependent. You can subtract only the amount used for housing expenses for the scholarship recipient. The recipient must attend an accredited community college, college, university, or other institution of higher education.

You may not take a subtraction for expenses that are deducted on your federal income tax return for the year. Your subtraction cannot be more than the amount of scholarship income included in federal taxable income. There is no carryforward allowed.

Severance pay investment ORS 316.856

[Subtraction code 349]

Oregon allows a subtraction for severance pay that is invested in a qualified Oregon small business.

Severance pay that you receive during the tax year and invest in a new or existing small business is eligible for the subtraction. To qualify you must materially participate in the operation of the business. The business must be formed as a legal entity with the purpose of making a profit. It must be independently owned from all other businesses and have 50 or fewer employees.

Your investment in the business must continue for at least 24 consecutive calendar months following your termination from employment.

The subtraction is limited to the lesser of your minimum investment or $500,000. Fill out Form SPS, *Severance Pay Subtractions,* and include it with your tax return.

For more information or to download an application form, visit our website.

Social Security benefits ORS 316.054

Oregon does not tax Social Security benefits. Any Social Security benefits included in your federal adjusted gross income are subtracted on your Oregon return.

Special Oregon medical subtraction ORS 316.693

[Subtraction code 351]

If you or your spouse/RDP are age 62 or older on December 31, 2013 and have qualifying medical and/or dental expenses, you may qualify for the special Oregon medical subtraction. See IRS Publication 502 for types of qualifying medical and dental expenses. You **cannot** subtract medical or dental expenses:

- For anyone under age 62;
- For dependents, regardless of their age; or
- That have already been deducted on the return.

You may not claim a subtraction if your federal adjusted gross income is $200,000 or more ($100,000 or more for those who file as single or married/RDP filing separately). Use the worksheet and table on page 71 to determine the amount of your subtraction.

Shared Expenses. Did you have medical and/or dental expenses for more than one person? If so, you must determine which expenses belong to each qualifying taxpayer. Start by totaling all expenses for each qualifying taxpayer. If you have expenses that are for more than one person, such as premiums for a shared insurance policy, split the expenses by the most reasonable method. A reasonable method for splitting the shared costs of an insurance policy includes splitting the total cost of the policy by the number of individuals covered. For example, divide the premiums for an insurance policy covering two adults by two. If the number of children covered on an insurance policy does not affect the price of the policy, it is reasonable to count all children on the policy as one individual. For example, divide the premiums for a policy covering two adults and four children by three.

Example 1: Chloe and Sam were ages 63 and 58 on December 31, 2013. They filed a joint return with one dependent (Sam's mother), federal adjusted gross income of $55,000, and itemized deductions for Oregon. During 2013, they paid $5,700 in medical expenses. Of that, they paid $1,300 for Chloe's expenses and $1,100 for Sam's expenses. They also paid $1,300 for Sam's mother and $2,000 in premiums for a joint insurance policy for Chloe and Sam. Only Chloe's expenses of $2,300 ($1,300 + $1,000 for half of the insurance premiums) qualify for the special Oregon medical subtraction because Sam does not meet the age requirement and Sam's mother is a dependent.

Example 2: Peter is 63 years old, self-employed, and itemizes his deductions for Oregon. Peter claimed $3,200 in medical expenses on federal Schedule A and $2,500 on his federal Form 1040 for self-employed medical insurance premiums. Peter was able to deduct 100% of his self-employed medical insurance premiums on his federal return. Only the medical expenses Peter claimed on Schedule A will be used to calculate his special Oregon medical subtraction because they have not been fully deducted. To calculate his subtraction, Peter's total qualifying medical and dental expenses are $3,200, the amount claimed on Schedule A. The worksheet will help him calculate the amount of his subtraction.

Special Oregon medical subtraction worksheet instructions

Line 1–Medical and dental expenses for each taxpayer: Enter the expenses attributable to each taxpayer. See "Shared expenses" for information about splitting expenses, such as insurance premiums.

Line 1, column (A): If you were age 62 or older on December 31, 2013, enter **your** total qualifying medical and dental expenses. If your medical expenses were not included in your itemized deductions (Schedule A, line 1), or you didn't itemize your deductions, skips lines 2 - 4, enter the amount from line 1 on line 5, and go to line 6. If you don't have qualifying expenses or were not age 62 or older on December 31, 2013**—STOP—**do not complete column (A). You do not qualify for the subtraction.

Line 1, column (B): If your spouse/RDP was age 62 or older on December 31, 2013, and you're filing jointly, enter your **spouse's/RDP's** total qualifying medical and dental expenses. If your spouse's/RDP's medical expenses were not included in your itemized deductions (Schedule A, line 1), or you didn't itemize your deductions, skips lines 2–4, enter the amount from line 1 on line 5, and go to line 6. If your spouse/RDP does not have qualifying expenses or was not age 62 or older on December 31, 2013**—STOP—**do not complete column (B). Your spouse/RDP does not qualify for the subtraction.

Line 2, columns (A) & (B)—Total medical and dental expenses: Enter the total medical and dental expenses you claimed as an itemized deduction (Schedule A, line 1), even if they are for a spouse/RDP or dependent that doesn't qualify. If your spouse/RDP meets the age requirement and has qualifying expenses, enter this amount on line 2, column (B).

Line 3, columns (A) & (B): Divide line 1 by line 2 for column (A) if you qualify, and/or column (B) if your spouse/RDP qualifies, and round to three decimal places. For example: 0.7308 is rounded to 0.731

Line 4, columns (A) & (B): Enter the lesser of the medical and dental expenses claimed on line 1 of your Schedule A or the amount claimed on line 3 of your Schedule A. If your spouse/RDP qualifies, enter the same amount in column (B).

Line 5, columns (A) & (B): Multiply line 3 and line 4 for each column and round to whole dollars. For example: $101.49 is rounded to $101. If you did not itemize your deductions, enter the amount from line 1 of this worksheet.

Line 6, columns (A) & (B): Enter the maximum allowable medical subtraction for your filing status and federal adjusted gross income from the table on page

71. Do not enter more than $1,800. If your spouse/RDP qualifies, enter the same amount in column (B).

Line 7, columns (A) & (B): Enter the lesser of line 5 or line 6 for each column.

Line 8: Add the amounts from line 7 column (A) and column (B). This is your special Oregon medical subtraction. Enter this amount as an "other subtraction" on line 18 of your Form 40, or line 37 of your Form 40N or 40P, using subtraction code 351.

Special Oregon medical subtraction worksheet:

		Column (A) You	Column (B) Spouse/ RDP
1. Medical and dental expenses for each qualifying taxpayer.	1.	$_____	$_____
2. Total medical and dental expenses (Schedule A, line 1).	2.	$_____	$_____
3. Divide line 1 by line 2 and round to three decimal places.	3.	_____	_____
4. Enter the lesser of the expenses claimed on line 1 of your Schedule A, or the amount claimed on line 3 of your Schedule A.	4.	$_____	$_____
5. Multiply line 3 by line 4 and round to whole dollars.	5.	$_____	$_____
6. Maximum allowable medical subtraction from the table ($1,800 max).	6.	$_____	$_____
7. Enter the lesser of line 5 or line 6.	7.	$_____	$_____
8. Add line 7, columns (A) and (B), and enter the total. This is your special Oregon medical subtraction.	8.	$_____	

If your filing status is:	and your federal adjusted gross income from line 8 of Form 40 or line 38F of Form 40N or 40P is:		then your maximum allowable medical subtraction per taxpayer meeting the age requirement is:
	at least—	*but less than—*	
Married/RDP filing jointly, or Head of household, or Qualifying widow(er)	-0-	$50,000	$1,800
	$50,000	$100,000	$1,400
	$100,000	$200,000	$1,000
	$200,000 or more		-0-
Single or Married/RDP filing separately	-0-	$25,000	$1,800
	$25,000	$50,000	$1,400
	$50,000	$100,000	$1,000
	$100,000 or more		-0-

Example 3: Leah and Tyler are ages 62 and 59 on December 31, 2013. They file a joint return with federal adjusted gross income of $35,000 and itemize their deductions for Oregon. During 2013, they paid $4,700 in medical and dental expenses claimed on Schedule A, line 1. Of that, $1,600 are Leah's expenses, $2,000 are Tyler's expenses, and $1,100 are premiums for a medical insurance policy covering both of them. Only Leah's expenses qualify for the special Oregon medical subtraction since she met the age requirement as of December 31, 2013. Leah's expenses are $1,600 plus $550 for her share of the premiums for a total of $2,150. Leah and Tyler will use the special Oregon medical subtraction worksheet to calculate their subtraction as follows:

		Column (A) Leah	Column (B) Tyler
1. Medical and dental expenses for each qualifying taxpayer.	1.	$2,150	$_____
2. Total medical and dental expenses (Schedule A, line 1).	2.	$4,700	$_____
3. Divide line 1 by line 2 and round to three decimal places.	3.	0.457	_____
4. Enter the lesser of the expenses claimed on line 1 of your Schedule A, or the amount claimed on line 3 of your Schedule A.	4.	$3,500	$_____

5. Multiply line 3 by line 4 and round to whole dollars.	5. $1,600	$_____
6. Maximum allowable medical subtraction from the table ($1,800 max).	6. $1,800	$_____
7. Enter the lesser of line 5 or line 6.	7. $1,600	$_____
8. Add line 7, columns (A) and (B), and enter the total. This is your special Oregon medical subtraction.	8. $1,600	

Leah and Tyler will claim $1,600 on line 18 of their Oregon Form 40 using subtraction code 351.

Example 4: Kenneth and Sophia were both age 66 on December 31, 2013 and file a joint return with federal adjusted gross income of $78,000. Kenneth and Sophia had $12,300 in unreimbursed medical and dental expenses during 2013. They are self-employed and claimed $3,400 for self-employed health insurance premiums on line 29 of their federal Form 1040. They also claimed $8,900 on line 1 of their federal Schedule A. Of the amount claimed on Schedule A, $1,200 was for Kenneth's expenses and $7,700 was for Sophia's expenses. Kenneth and Sophia can claim $2,190 as a special Oregon medical subtraction calculated as follows:

	Column (A) Kenneth	Column (B) Sophia
1. Medical and dental expenses for each qualifying taxpayer.	1. $1,200	$7,700
2. Total medical and dental expenses (Schedule A, line 1).	2. $8,900	$8,900
3. Divide line 1 by line 2 and round to three decimal places.	3. 0.135	0.865
4. Enter the lesser of the expenses claimed on line 1 of your Schedule A, or the amount claimed on line 3 of your Schedule A.	4. $5,850	$5,850
5. Multiply line 3 by line 4 and round to whole dollars.	5. $790	$5,060
6. Maximum allowable medical subtraction from the table ($1,800 max).	6. $1,400	$1,400
7. Enter the lesser of line 5 or line 6.	7. $790	$1,400
8. Add line 7, columns (A) and (B), and enter the total. This is your special Oregon medical subtraction.	8. $2,190	

Because Kenneth and Sophia were able to deduct the entire amount of their self-employed health insurance premiums on their federal return, they do not include that amount in the calculation for their special Oregon medical subtraction. Their subtraction is limited to the lesser of the amount allowed from the table for each individual, or their own medical expenses that have not been previously deducted. Kenneth and Sophia's subtraction is $2,190 ($790 of Kenneth's expenses that have not been previously deducted, and $1,400, the maximum amount allowed Sophia).

Example 5: Margaret is age 67 on December 31, 2013, single, and has a federal adjusted gross income of $27,000. During 2013, Margaret paid $1,200 in qualifying medical expenses for herself, and $1,600 in medical expenses for her dependent 9-year-old granddaughter. Margaret does not itemize her deductions because her standard deduction is greater than her itemized deductions for Oregon. Margaret uses the worksheet to calculate her special Oregon medical subtraction as follows:

	Column (A) Margaret	Column (B) Spouse/ RDP
1. Medical and dental expenses for each qualifying taxpayer.	1. $1,200	$_____
2. Total medical and dental expenses (Schedule A, line 1).	2. $_____	$_____
3. Divide line 1 by line 2 and round to three decimal places.	3. _____	_____
4. Enter the lesser of the expenses claimed on line 1 of your Schedule A, or the amount claimed on line 3 of your Schedule A.	4. $_____	$_____

5. Multiply line 3 by line 4 and round to whole dollars.	5. $1,200	$_____
6. Maximum allowable medical subtraction from the table ($1,800 max).	6. $1,400	$_____
7. Enter the lesser of line 5 or line 6.	7. $1,200	$_____
8. Add line 7, columns (A) and (B), and enter the total. This is your special Oregon medical subtraction.	8. $1,200	

The medical expenses paid by Margaret for her 9-year-old granddaughter do not qualify for the subtraction because she is a dependent.

Taxable benefits for former RDPs OAR 150-316.007-(B)

[Subtraction code 347]

If you and your registered domestic partner (RDP) dissolved your partnership during the year, you may be allowed an Oregon subtraction for the imputed value of certain fringe benefits provided by your employer for your RDP for the part of the year you were still registered domestic partners. These benefits typically include, but are not limited to, health insurance and tuition payments. You must have included the imputed valued of the benefits in your federal income to claim the Oregon subtraction. The imputed value will be included in the total compensation (Box 1) shown on your Form W-2.

Tuition and fees ORS 316.716(3)

[Subtraction code 308]

You may qualify to claim either of the following on your federal return

- An adjustment to income of up to $4,000 for qualified tuition and fees paid, or
- The American Opportunity credit or the lifetime learning credit.

If you qualify for and claim the federal income adjustment of up to $4,000 for qualified tuition and fees, you will not claim a subtraction on your Oregon return. Your federal deduction flows through to your Oregon return via your federal adjusted gross income.

Did you claim the federal American opportunity credit or the lifetime learning credit? If so, you may be able to claim an Oregon subtraction for the amount you could have claimed as an adjustment to income on your federal return, had you elected to claim the deduction for qualified tuition and fees.

You cannot claim the subtraction if:

- You file married/RDP filing separately;
- You can be claimed as a dependent by another person; or
- Your **federal** modified adjusted gross income (MAGI) is more than $80,000 ($160,000 if married/RDP filing jointly).

Example 1: Tom paid $6,000 in tuition and fees for his son Adam's higher education this year. Tom elected to claim the American Opportunity credit of $1,500 on his federal return. On his Oregon return, Tom will claim a subtraction of $4,000 for qualified tuition and fees. Tom would have been allowed $4,000 as a deduction on his federal return if he hadn't elected to claim the American Opportunity credit.

Example 2: This year Dawn paid $2,200 college tuition for her daughter Camille and $2,400 college tuition for her daughter Delaney. On her federal return, Dawn deducted the maximum $4,000 tuition and fees. Because Dawn claimed the adjustment to income on her federal return, she can't claim a subtraction on the Oregon return.

Example 3: Mr. and Mrs. Wren paid a total of $6,000 in qualified tuition expenses this year. They paid $2,000 of college tuition for each of their sons, Nelson, Jose, and Chester. On the Wrens' federal return, they claimed a $2,000 adjustment to income for Nelson's tuition, a $1,500 American Opportunity credit for Jose's tuition, and a $1,500 American Opportunity credit for Chester's tuition. On their Oregon return, they will claim a subtraction for tuition and fees of $2,000.

Here's how they figure their Oregon subtraction: The maximum subtraction allowable is $4,000. This is the same maximum amount allowed on the federal return. Even though the Wren's paid $6,000 in tuition and fees, they must reduce their allowable subtraction by any amount they already deducted on the federal return. They already deducted $2,000 for Nelson's tuition. This flows through to the Oregon return in federal adjusted gross income. Remaining is $2,000 ($4,000 - $2,000) to be subtracted on the Oregon return. Combining the Oregon subtraction with

the federal deduction, the Wren's have reduced their Oregon income by $4,000 of tuition and fees.

U.S. government interest in IRA or Keogh distribution ORS 316.681

[Subtraction code 331]

Interest and dividends on U.S. bonds and notes are exempt from state tax. See page 64. Answer the questions below to see if you have a subtraction on your Oregon return for exempt income related to your retirement distributions.

1. Did you have any distributions from a self-employed retirement plan or an individual retirement account (IRA)?
2. Was any part of your self-employed retirement plan or your IRA invested in U.S. bonds and notes?
3. Did you include your self-employed retirement plan or IRA distribution in your 2013 federal adjusted gross income (AGI)?

If you answered "yes" to **all** the questions above, you'll have an "other subtraction" on your Oregon return for the retirement plan exempt earnings included in your distribution.

Use the worksheet below to calculate your subtraction.

Worksheet

1.	Total account balance at year end.	1. _____
2.	Current year distributions.	2. _____
3.	Line 1 plus line 2.	3. _____
4.	Total exempt earnings on account at year end.	4. _____
5.	Total exempt part of distributions from all prior years.	5. _____
6.	Line 4 minus line 5, but not less than -0-.	6. _____
7.	Line 6 divided by line 3. Oregon exempt ratio.	7. _____
8.	Line 2 multiplied by line 7. Oregon exempt portion of current year's distribution.	8. _____

Example: Donna retired last year and began taking distributions of $10,000 each year from her IRA. The IRA is invested in U.S. government securities. Donna uses the following information to calculate her subtraction for years 1 and 2:

	Year 1	Year 2
Current year earnings	$4,000	$5,000
Current year distribution	$10,000	$10,000
Account balance at 12/31	$100,000	$95,000
Total exempt earnings on account at 12/31	$ 40,000	$45,000

Worksheet	**Year 1**	**Year 2**
1. Total account balance at year end.	$100,000	$95,000
2. Current year distribution.	+ 10,000	+ 10,000
3. Line 1 plus line 2.	$110,000	$105,000
4. Total exempt earnings on account at year end.	$ 40,000	45,000
5. Total exempt part of distributions from all prior years.	– -0-	– 3,636
6. Line 4 minus line 5, but not less than zero.	$40,000	$41,364
7. Line 6 divided by line 3. Oregon exempt ratio.	.3636	.3939
8. Line 2 multiplied by line 7. Oregon exempt portion of current year's distribution.	$3,636	$ 3,939

Other items

Net operating losses (NOLs) for Oregon ORS 316.028

[Addition code 116] [Subtraction code 321]

An Oregon net operating loss (NOL) is figured the same as in Internal Revenue Code (IRC) Section 172(c). You may have an Oregon NOL without having a federal NOL, or vice versa. Your Oregon NOL is computed under the federal method and definitions using Oregon sources **without** Oregon modifications, additions, and subtractions. The only Oregon modification necessary is to subtract prohibited amounts.

Prohibited amounts

Amounts Oregon is prohibited from directly or indirectly taxing include interest earned from Treasury bonds, Treasury notes, and other obligations of the United States.

Carryback and carryforward

For losses incurred in tax years beginning on or after January 1, 2003, the Oregon carryback and carryforward provisions match the IRS.

Oregon does not allow an NOL from a non-Oregon source that occurred while you were a nonresident.

Federal depreciation disconnect

If you have a NOL in 2009 or 2010 and also claim depreciation or expensing that is not allowed by Oregon, your future year subtractions are reduced by the amount already included in the NOL. See depreciation and amortization on page 78 for additional information.

Computation of the net operating loss

Full-year residents. Generally, the computation of the Oregon NOL for a resident is the same as the federal NOL, except for the prohibited amount modification. (See "Prohibited amounts" above.)

The computation of the Oregon NOL begins with federal adjusted gross income (AGI). Reduce AGI by federal exemptions, federal deductions, and the prohibited amount modification to arrive at the modified Oregon taxable income (OTI). Then adjust the modified OTI as required by IRC Section 172(d).

Required adjustments are:

1. Oregon NOL deduction (NOLD) from prior years included in Oregon income after adjustments.
2. Net Oregon capital loss deduction.
3. Federal personal exemption amount.
4. Excess of nonbusiness deductions over nonbusiness income included in modified Oregon taxable income.

Example 1: Maria and Jorge filed joint federal and Oregon tax returns. On their federal return, they reported wages of $26,000, a business loss of $50,000, a gain on the sale of stock of $400, and interest income of $800 from a bank. They reported total itemized deductions of $12,800, which were all nonbusiness, and claimed personal exemptions of $7,400.

On their Oregon return, Maria and Jorge reported an addition of $500 of municipal bond interest from California that was exempt from federal income tax. Their Oregon NOL ($24,000) is computed as follows:

Federal tax return

Wages	$ 26,000
Interest income	800
Schedule C loss	(50,000)
Schedule D stock gain	400
Federal AGI	($ 22,800)
Personal exemptions	(7,400)
Schedule A deductions	(12,800)
Federal taxable income	($ 43,000)

Computation of Oregon NOL

Federal AGI		($ 22,800)
Personal exemptions		(7,400)
Schedule A deductions		(12,800)
Modified Oregon taxable income		($ 43,000)
Adjustments:		
Personal exemptions		7,400
Nonbusiness deductions	12,800	
Nonbusiness income	(1,200)	
Nonbusiness deduction in excess of nonbusiness income		11,600
Oregon NOL		($ 24,000)

Remember: Compute the Oregon NOL based on federal NOL methods and definitions. Use Oregon sources **without** Oregon adjustments (modifications, additions, and subtractions), except for prohibited amounts.

Example 2: Use the same facts as in Example 1, except the $800 interest is from U.S. government securities (a prohibited amount). The Oregon NOL for Maria and Jorge is ($24,800), computed as follows:

Federal tax return

Wages	$ 26,000
Interest from U.S. government securities	800
Schedule C loss	(50,000)
Schedule D stock gain	400
Federal AGI	($ 22,800)
Personal exemptions	(7,400)
Schedule A deductions	(12,800)
Federal taxable income	($ 43,000)

Computation of Oregon NOL

Federal AGI		($ 22,800)
U.S. government interest		(800)
Personal exemptions		(7,400)
Schedule A deductions		(12,800)
Modified Oregon taxable income		($ 43,800)
Adjustments:		
Personal exemptions		7,400
Nonbusiness deductions	12,800	
Nonbusiness income	(1,200)	
Excess nonbusiness deduction		11,600
Oregon NOL		($ 24,800)

Note: U.S. government interest, a prohibited amount, is not used to compute Oregon NOL.

Part-year residents and nonresidents. You're allowed an Oregon NOL if it is generated from Oregon sources. Computing Oregon NOL begins with "income after adjustments" from the Oregon column. Reduce this amount by federal exemptions and deductions (attributable to Oregon sources) to arrive at the modified OTI. Then adjust the modified OTI as required by IRC Section 172(d). The required adjustments are the same as those listed in the section about full-year residents in the left-hand column.

You are not allowed an NOL or carryover on an Oregon return if the loss was incurred while you were a nonresident and was not attributable to Oregon.

Example 3: Ryan and Sallie are married nonresidents and filed a joint return. On their federal return they itemized deductions of $14,000 (all nonbusiness) and claimed personal exemptions of $7,400. They also had a business loss of $25,000 from Oregon sources and $1,000 non-Oregon-source corporate bond interest. Their Oregon percentage is -0-. They computed their Oregon NOL as follows:

Oregon income after adjustments		($ 25,000)
Personal exemptions		(7,400)
Schedule A deductions		-0-
Modified Oregon taxable income		($ 32,400)
Adjustments:		
Personal exemptions		7,400
Nonbusiness deductions	-0-	
Nonbusiness income	-0-	
Excess nonbusiness deduction		-0-
Oregon NOL		($25,000)

Application of an NOL

Oregon NOL carryforward or carryback. Generally, if you carry an NOL back for federal purposes, you must also carry the Oregon NOL back for Oregon purposes. If you elect to carry the federal NOL forward, you must also carry the Oregon NOL forward.

Exception: If you weren't required to file an Oregon return before the Oregon loss year, carry back or carry forward the Oregon NOL to the year the loss may be first applied. The total number of years an NOL may be carried back or forward is the same for Oregon and federal.

Example 1: Joe has an NOL for federal and Oregon. Joe carried his federal NOL back. Because he carried back his loss for federal purposes, he must carry back his loss for Oregon purposes. If he was not required to file an Oregon tax return that year, he may carry back his Oregon NOL to the next succeeding tax year.

Example 2: Assume the same facts as in Example 1. However, Joe was not required to file an Oregon tax return before the year of the loss. Joe can carry his Oregon NOL forward, even if the loss was carried back for federal purposes.

Compute an NOLD carryback or carryforward amount in tax years beginning after December 31, 1984, the same way as for federal purposes. For full-year residents, the NOL amount is generally the same as for federal purposes, except adjustments made for **prohibited amounts** (see definition above).

Example 3: Bud and Joyce incurred losses from partnerships and S corporations. They compute an NOL of $12,000 and choose to carry the loss back. Their Oregon carryback year return shows negative taxable income, so the NOL is carried forward to the next year, where the loss is completely absorbed. Bud and Joyce had a federal AGI of $50,000 on that return. The fully absorbed NOL is applied as follows:

Federal AGI on the Oregon return	$50,000		
Less: NOLD			(12,000)
Federal AGI for Oregon as revised			$38,000
Additions per Oregon return			3,000
Subtractions per Oregon return		($5,000)	
Standard or itemized deductions recomputed for revised federal AGI		(15,000)	
Total deductions			(20,000)
Modified Oregon taxable income			$21,000

Example 4: Assume the same facts in Example 3, except that Bud and Joyce choose to carry forward the NOL for federal and Oregon purposes. In the carryforward year, Bud and Joyce have federal AGI of $15,000, reported additions of $8,000, and subtractions of $3,000. Bud and Joyce will apply the NOL and compute the amount available for carryforward to the next year as follows:

NOLD carryforward			($12,000)
Federal AGI on the Oregon return	$15,000		
Add: Capital loss deductions or	-0-		
Capital gain deduction	-0-		
Federal AGI for Oregon as revised		$15,000	
Less: Prohibited amounts		(-0-)	
Standard or itemized deductions recomputed for revised federal AGI		(12,000)	
Modified Oregon taxable income (NOLD)			3,000
Carryforward of NOL available for next year			($ 9,000)

Bud and Joyce's Oregon taxable income is recomputed as follows:

Federal AGI on the Oregon return with loss carried	$15,000
Less: NOLD	(3,000)
Federal AGI including NOLD	$12,000
Add: Additions per Oregon return	8,000
Less: Subtractions per Oregon return	(3,000)
Standard or itemized deductions	(12,000)
Oregon taxable income as revised	$ 5,000

Part-year residents and nonresidents. Use the federal method without modifications, except prohibited amounts are not considered. Also, the NOLD, carryback, and carryover are based only on amounts attributable to Oregon sources.

Example 5: While residents of California, Ron and Valerie incurred losses from an Oregon partnership creating an $85,000 Oregon-only NOL. Before the loss year, neither Ron nor Valerie needed to file Oregon returns. The next year, Ron and Valerie move to Oregon and file a part-year Oregon return. They report federal income after adjustments of $385,000, Oregon income after adjustments of $235,000, and itemized deductions of $20,000. Ron and Valerie calculate their Oregon taxable income as follows:

	Federal	**Oregon**
Income after adjustments	$385,000	$235,000
NOLD	(85,000)	(85,000)
Modified income after adjustments	$300,000	$150,000
Plus: "Additions" per Oregon return	7,000	7,000
Less: "Subtractions" per Oregon return	(2,000)	(2,000)
Modified income after subtractions	$305,000	$155,000
Oregon percentage: 155,000 ÷ 305,000 = 50.8%		
Less: Standard or itemized deductions recomputed for revised federal AGI	(20,000)	
Federal tax subtraction	-0-*	
Oregon taxable income as revised	$285,000	

**The federal tax subtraction is limited to $0 when federal adjusted gross income is $290,000 or more for joint filers.*

Example 6: Scott and Jill live in Vancouver, Washington. Scott operates a business in Oregon. Scott and Jill file a nonresident Oregon return reporting an Oregon-only NOL of $6,000. Scott and Jill elect to carry the NOL forward. In the carryforward year, Scott and Jill report Oregon income after adjustments of $1,600, federal income after adjustments of $32,000, and federal itemized deductions of $13,200. Their Oregon itemized deductions are $660 [($1,600 ÷ $32,000) × $13,200]. Scott and Jill calculate their NOLD and the carryforward to the next year as follows:

NOL			($6,000)
Oregon income after adjustments			
	$1,600		
Add: Oregon capital loss deduction	-0-		
Oregon capital gain deduction	-0-		
Modified Oregon income as revised		$1,600	
Less: Prohibited amounts		(-0-)	
Oregon percentage of standard or itemized deductions recomputed for revised federal AGI		(660)	
Modified Oregon taxable income (NOLD)			940
Carryforward of NOL available for next year			($5,060)

Net operating loss as a subtraction. Generally your NOL carryback and carryforward amounts will be reflected in your federal adjusted gross income (AGI). However, if you have an NOL carryback or an NOL carryforward for **Oregon only**, the loss will not be reflected in your AGI. If your NOL is not reflected in AGI, you'll report your carryback or carryforward on the "other subtraction" line of your Oregon return.

Depreciation and amortization ORS 316.707 and 316.739

[Addition code 101] [Subtraction code 304]

Your Oregon depreciation deduction is generally the same as for federal purposes. It will not be the same in the following cases:

- The asset was placed in service in tax years beginning on or after January 1, 1985, and you took the federal investment tax credit on your federal return.
- You transferred property into Oregon's taxing jurisdiction.
- Assets were placed in service between 1981 and 1985 (Accelerated Cost Recovery System [ACRS] assets), and you did not make the adjustment aligning Oregon basis with federal basis for them. If you made the adjustment on your 1996 tax return, there will not be a depreciation difference.
- The asset was placed into service during tax years 2009 or 2010 and you claimed "bonus depreciation" or additional expensing under IRC section 168(k) or 179. For tax years 2009 and 2010, Oregon generally allowed the same expensing of qualifying assets under IRC sections 168(k) and 179 as allowed under **2008** federal law. Because of this disconnect an addition is required, leaving a higher adjusted basis for Oregon to be depreciated over the life of the asset. Most taxpayers with an addition for this disconnect in 2009 or 2010 will have future year subtractions over the remaining life of the asset (See exception below: Net Operating Losses.)

NOL and federal depreciation disconnect. Your Oregon NOL is the same as your federal NOL. Therefore if you have a NOL in 2009 or 2010 and also claimed depreciation or expensing not allowed by Oregon, your future year subtractions are reduced by the amount already included in the NOL.

Example 1: Paula expensed $144,000 in assets under IRC section 179 in 2010. Because Oregon only allowed expensing of $134,000, she had a $10,000 addition on her 2010 Oregon return. Due to deductions and losses related to her business, Paula had a $15,000 NOL for 2010. Normally, she would have an Oregon basis of $10,000 and could claim Oregon subtractions over the life of those assets. Because Paula's federal NOL is the same for Oregon purposes, she has already received the benefit in the NOL deduction. When Paula carries the NOL forward or back she is not allowed any future year subtractions due to depreciation differences.

Example 2: Same as Example 1 except that Paula's NOL was only $7,000. Paula still had an addition of $10,000 on her 2010 Oregon return. Paula would have been allowed to claim $10,000 in subtractions over the life of the assets bought in 2010 if she didn't have a NOL. Because Paula had a NOL, the amount claimed in subtractions over the life of the assets bought in 2010 is reduced to $3,000 ($10,000 expensing difference minus $7,000 already allowed as a NOL deduction). She will use a reasonable method to assign the $3,000 in Oregon adjusted basis to one or more of the assets purchased in 2010 to calculate her future years' differences in depreciation.

Oregon Depreciation Schedule. Use the Oregon Depreciation Schedule to determine if your Oregon depreciation is the same as, or different from, your federal depreciation.

Oregon depreciation on all property	–	Federal depreciation on the same property	=	Oregon difference in depreciation

Oregon subtraction. If your Oregon depreciation is more than your federal depreciation on the same property, you'll have a subtraction for the difference.

Oregon addition. If your Oregon depreciation is less than your federal depreciation on the same property, you'll have an addition for the difference.

Go to our website to download the *Oregon Depreciation Schedule,* or call us to order it.

Partnership and S corporation modifications for Oregon and Business tax credits from flow-through entity ORS 314.712 to 314.752

[Addition code 119] [Subtraction code 323] [Credit code 736]

If you received a Schedule K-1 from a flow-through entity (Partnership, S corporation, or LLC filing as either), then you may have Oregon additions, subtractions, or credits that flow-through to your Oregon return. Your modification or credit is based on the total for the business multiplied by your ownership percentage, which should have been calculated by the business.

If there is a specific code for the Oregon modification or credit, use that code. Otherwise, use the above codes to identify the Oregon modification or credit.

Examples: If your LLC had a subtraction for a difference in depreciation, use the subtraction code 304, the specific code for that modification. If your S corporation qualified for a lenders credit for affordable housing, use credit code 736 because there is no specific code for that credit.

Nonresidents: If your business operates both in and out of Oregon, it has an apportionment percentage from Schedule AP, *Apportionment of Income for Corporations and Partnerships.* This percentage should be provided to you with your Schedule K-1, since it shows you how much of the income from your business is Oregon source. The business should have already multiplied your share of Oregon additions and subtractions by the apportionment percentage. Oregon credits that flow through may be required to be multiplied by your Oregon percentage on your Form 40N. See the instructions for the credit to see if this is required.

Part-year residents: Use the nonresident information for the part of the year you were a nonresident and the full amounts for the time you were a resident.

Basis of business assets transferred into Oregon ORS 316.707

[Addition code 101] [Subtraction code 304]

Are you a nonresident? If so, there are several ways you can bring assets into Oregon's taxing jurisdiction. For example:

- You become an Oregon resident and transfer business assets into Oregon.
- You become an Oregon resident and leave the assets in the other state.
- You open a business in Oregon and transfer business assets into Oregon.

Did you transfer business assets into Oregon? If so, the basis for Oregon depreciation will be either the federal unadjusted basis or fair market value at the time of transfer, whichever is smaller.

The federal unadjusted basis is the original cost before adjustments. Adjustments include reductions for investment tax credits, depletion, amortization, depreciation, or amounts expensed under IRC Section 179. The fair market value and useful life are figured when you bring the asset into Oregon.

Reduce the federal unadjusted basis or the fair market value of the asset by any Oregon depreciation previously allowed.

Example: Bob was a California resident. He has owned a business in Yreka since 1988. Bob bought an office building in Yreka for $800,000. He placed it in service March 1, 1988. For federal purposes, the building is 31½-year real property and is being depreciated using the applicable percentages. On January 1, 2009, Bob bought a truck for $45,000. For federal purposes, the truck is five-year property and is being depreciated using the applicable percentages.

On January 1, 2013, Bob moved to Ashland, but he continues to operate his business in Yreka. Because Bob is an Oregon resident, he must determine his Oregon basis to depreciate his assets for Oregon. The Oregon adjusted basis is computed as follows:

Building

Smaller of:

Cost of building (federal unadjusted basis)	$ 800,000
Less: Depreciation previously allowed for Oregon tax purposes	– 0
Net basis	$ 800,000
or	
Fair market value as of January 1, 2013	$1,473,000
Less: Depreciation previously allowed for Oregon tax purposes	– 0
Oregon fair market value	$1,473,000

Bob will depreciate the building for Oregon using the $800,000 federal unadjusted basis and Modified Accelerated Cost Recovery System (MACRS) depreciation for its original federal applicable recovery period.

Truck

Smaller of:

Cost of truck (federal unadjusted basis)	$ 45,000
Less: Depreciation previously allowed for Oregon tax purposes	– 0
Net basis	$ 45,000
or	
Fair market value as of January 1, 2013	$ 27,000
Less: Depreciation previously allowed for Oregon tax purposes	– 0
Oregon fair market value	$ 27,000

Bob will depreciate the truck for Oregon using the $27,000 Oregon fair market value and MACRS depreciation for its original applicable federal recovery period.

Sale of assets ORS 316.716

[Addition code 101] [Subtraction code 304]

Gain or loss on property you began depreciating after 1980 and before 1985. During the tax year, did you sell property you began depreciating after December 31, 1980, and before January 1, 1985? If you did and didn't make the one-time adjustment on your 1996 Oregon return, your gain or loss for Oregon may differ from your gain or loss for federal purposes. If you sold this property during the year, you must make an adjustment on your return to reconcile your Oregon basis to your federal basis.

To figure your gain or loss for Oregon, use the depreciation you claimed on your Oregon return in prior years. Subtract the total amount of gain or loss for Oregon property you began depreciating after 1980 and before 1985 from your gain or loss for federal purposes for the same property. The difference is an Oregon addition or subtraction. Keep a worksheet with your tax records to show how you figured the difference.

Addition or subtraction

If Oregon depreciation is less than your federal depreciation, you will have an Oregon subtraction. If Oregon depreciation is more than your federal depreciation, you will have an Oregon addition.

Partnerships and S corporations

Partnerships report differences between federal and Oregon depreciation on the Oregon partnership return. S corporations report the differences on Schedule SM of the Oregon S corporation return. The differences must also be shown on the partner's or shareholder's Schedule K-1 or equivalent.

The differences will be added to or subtracted from income on the individual partner's or shareholder's Oregon income tax return.

Gain on the sale of an Oregon residence ORS 316.048

[Addition code 101] [Subtraction code 304]

Generally, Oregon will tax the gain from the sale of your residence only when the federal government taxes it. Oregon will not tax any gain excluded on your federal return. This is true even if you reinvest in a home outside Oregon.

The Oregon basis of your home is generally the same as your federal basis. If you're taxed by the federal government, Oregon will tax you on the same amount of gain.

Exception: If you were renting out a house and then converted it to your personal residence, the Oregon basis may not be the same as the federal basis due to depreciation differences.

Note: If you are also taxed by another state or country on some or all of the gain, see the section on mutually taxed gain on the sale of residential property, page 103.

Fiduciary adjustment ORS 316.697

[Addition code 100] [Subtraction code 310]

The same modifications that apply to an individual return also apply to an Oregon estate or trust return. Combined, this is called the fiduciary adjustment. If you're a beneficiary of an estate or trust, you must report your share of the fiduciary adjustment. This should be shown on the Schedule K-1 which you receive from the estate or trust. Report it under "other additions" or "other subtractions" on your Oregon tax

return. Identify an addition with code 100 and a subtraction with code 310.

Example: Frank reported $5,000 of trust income from R&C Farewell Trust on federal Schedule E. Of this, $2,500 was from interest on U.S. obligations, which is not taxable by Oregon. He also received interest income of $1,000 from the trust that was not included in his federal income. This interest was from California bonds and is taxable by Oregon. Frank should claim a $1,500 "other subtraction" on his Oregon return, the net of both fiduciary adjustment items, using subtraction code 310.

Part-year residents. Oregon taxes the fiduciary adjustment if it relates to Oregon income or if you were an Oregon resident on the last day of the trust's taxable year.

Nonresidents. Oregon taxes the fiduciary adjustment if it relates to Oregon income.

Passive activity losses (PALs) ORS 314.300

[Addition code 101] [Subtraction code 304]

Generally, a passive activity is any:

- Rental activity including equipment and real estate, regardless of your level of participation, or
- Business in which you do not materially participate in a regular, continuous, and substantial basis.

Oregon generally adopted the federal passive loss rules in the federal Tax Reform Act of 1986 and the Revenue Reconciliation Act of 1993. There are some differences in passive losses for Oregon.

How to compute and report passive losses for Oregon

1. Modify the federal passive loss by the applicable additions and/or subtractions listed under "Oregon modifications to federal passive activity losses," below.
2. Apply the federal passive loss limitations to the Oregon passive loss you computed in step 1 above. This will determine how much is deductible for Oregon. To apply the income limitations, use federal AGI before modifying for additions or subtractions.
3. Figure the difference between the passive loss reported on your federal return and the deductible Oregon loss you figured above. You will claim an addition or subtraction on your Oregon return.
4. Keep a schedule with your tax records showing your computations for steps 1, 2, and 3 above.
5. Also keep a schedule (when applicable) showing the allocation of Oregon modifications between the Oregon passive loss activities and other business activities.

Example: Depreciation modification. Elijah has determined that his depreciation for Oregon is more than his federal depreciation by $1,000. Ordinarily, he would report a $1,000 subtraction on his Oregon return for the difference in depreciation.

Of the $1,000 difference in depreciation, $600 is allocable to passive activities and $400 is allocable to other business activities. His Oregon passive activity loss is his federal passive activity loss increased by the $600 difference in depreciation. He reports the remaining $400 difference in depreciation allocable to other business activities as a subtraction on his Oregon return.

Passive activity credits. You can offset in full the tax credits related to a passive activity against your Oregon tax liability for the taxable year.

Active participants in rental real estate activities. The $25,000 offset for rental real estate activities provided in IRC 469(i) applies to deductions allowed under federal and Oregon law. You will not reduce the offset by deduction equivalents defined in IRC 469(j)(5). The phaseout amounts ($100,000/$150,000) are based on **federal** adjusted gross income regardless of whether you are a full-year resident, part-year resident, or nonresident of Oregon.

Part-year residents. Compute your passive activity losses from activities carried on while an Oregon resident. Add those connected with Oregon sources while a nonresident. Modify the result by applicable additions and/or subtractions listed below.

Nonresidents. Compute your passive activity losses from activities connected with Oregon sources. Modify the loss by the applicable additions and/or subtractions listed below. The loss must be connected with Oregon sources even if you later become an Oregon resident.

Oregon modifications to federal passive activity losses

Following are **some** of the modifications you must make for Oregon:

1. Additions:

- Interest or dividends on obligations of another state.
- Depletion in excess of the adjusted basis of property.
- Gain on voluntary or involuntary conversions or exchanges of Oregon property reinvested outside Oregon when no election is made to defer it.

2. Subtractions:

- Gain or loss on the sale of public utility stock where dividends were reinvested.

- Interest or dividends on obligations of the U.S. government.
- Wages you did not deduct in federal taxable income because you claimed the federal work opportunity credit.
- Interest or dividends on obligations of Oregon political subdivisions.

3. Additions or subtractions:

- Differences in depreciation.
- Differences in gain or loss from basis differences in the sale of an asset.

Note: Items used to modify the federal passive activity loss must occur in the ordinary course of a trade or business.

Individual Development Accounts

[Addition code 113] [Donation Credit code 715] [Subtraction code 314] [Withdrawal Credit code 738]

Subtraction ORS 316.848

An Individual Development Account (IDA) allows you, as an individual in a lower income household, to accumulate assets tax-free. As the account holder, you will make deposits to your own account. Your deposits will be matched with private donations.

Withdrawal of funds for a qualified purpose is tax-free. Qualified purposes include:

- Paying higher education expenses, or
- Purchasing a primary residence, or
- Starting your own business.

Oregon allows a subtraction on your tax return for deposits to your IDA through the Neighborhood Partnership Fund. Your subtraction includes the IDA interest received if the interest is included in your federal taxable income.

For more information, call The Neighborhood Partnership Fund at 503-226-3001 or go to their website at www.neighborhoodpartnerships.org.

Addition

Did you make a nonqualified withdrawal from your IDA during the year? If so, you must report the amount as an "other addition" on your Oregon income tax return.

Withdrawal Credit ORS 315.272

A tax credit is available to IDA account holders for withdrawals from an IDA. The withdrawal must be used for settlement, financing or other closing costs incurred in purchasing a primary residence. This credit is in addition to the subtraction for contributions to the IDA.

The credit is the least of:

- The amount withdrawn from the IDA,
- The qualifying closing costs to purchase a primary residence,
- The taxpayer's tax liability for the year, or
- $2,000.

There is no carryforward and the credit is not prorated for part year residents or nonresidents.

Donation Credit ORS 315.271

Oregon allows a tax credit for charitable contributions to the Neighborhood Partnership Fund for the Oregon IDA program during the tax year. Individuals, partners, S corporation shareholders, and corporations can claim the credit. Part-year residents and nonresidents are not required to prorate the credit.

The credit is the smaller of $75,000 or 75 percent of the donation made. It cannot be more than your Oregon tax liability. You can carryforward any unused credit for the next three years. If you do not use the unused credit within three years, it is lost.

You **may not** claim both the tax credit and a charitable deduction or business deduction for the same contribution. If you claim the credit you will have an addition on your Oregon return for the amount deducted. Use addition code 113 to add back the amount claimed as both a credit and deduction.

Part-year residents and Nonresidents. See page 85 for instructions on how to claim your addition as an "other deduction and modification."

For information on how to make a donation, contact The Neighborhood Partnership Fund at 503-226-3001 or go to their website at www.neighborhoodpartnerships.org.

Oregon percentage ORS 316.117

Part-year residents and nonresidents must compute an Oregon percentage. This determines allowable deductions and modifications and Oregon tax.

Divide your income after subtractions from the Oregon column by your income after subtractions from the federal column. Enter the figure on the Oregon percentage line. Do not fill in more than 100 percent or less than -0-.

Example 1: Lisa reported $30,000 of income after subtractions in the federal column. She reported $10,000

of income after subtractions in the Oregon column. Here's how she figured her Oregon percentage:

$10,000 ÷ $30,000 = .333 or 33.3%

Carry the decimal to three places to figure your Oregon percentage.

If the federal column is negative and the Oregon column is positive, your Oregon percentage is 100%.

If the federal column is positive and the Oregon column is negative, your Oregon percentage is 0%.

Example 2:

Federal column	Oregon column	Oregon percentage
($20,000)	$42,000	100%
$50,000	($22,000)	0%

Deductions and modifications ORS 316.695

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

Itemized deductions

Generally, you may claim your total itemized deductions shown on federal Schedule A, line 29. But there is an exception. **If you itemize for Oregon only,** fill out a separate Schedule A. You may claim itemized deductions for Oregon even if you could not on your federal return. You still use federal adjusted gross income to figure the Schedule A limitations. Keep the Oregon schedule with your tax records.

Note: If you are **married/RDP filing separately,** you must itemize deductions if your spouse/RDP itemizes. Are you filing separate returns for Oregon only? If so, determine your share of itemized deductions by multiplying your total joint deductions by the percentage you figured for separate returns. See page 21. Remember to use your Oregon itemized deductions after subtracting state tax. You may separate your deductions if each of you can clearly show your own.

Limit on itemized deductions

Did you reduce itemized deductions on your federal return because your federal adjusted gross income (AGI) exceeded the threshold? If so, complete the following worksheet to determine the correct amount of Oregon income tax to subtract from itemized deductions.

1. Itemized deductions subject to the limit (from your federal itemized deductions worksheet). 1. _____
2. Limit: Line 1 multiplied by 80% (.80). 2. _____
3. Federal AGI minus federal income limit. 3. _____
4. Line 3 multiplied by 3% (.03). 4. _____
5. Enter the smaller of line 2 or line 4. 5. _____
6. Line 1 minus line 5. This is your allowable limited deductions. 6. _____
7. Line 6 divided by line 1. Carry this decimal to three places. 7. _____
8. Line 7 multiplied by Oregon income tax you claimed on federal Schedule A, line 5. 8. _____

Example 1: Adam, a single taxpayer aged 43, filed a return with itemized deductions and $300,000 of AGI. His itemized deductions are as follows, taken from his federal itemized deductions worksheet.

Federal itemized deductions worksheet:

			Subject to limit	Not subject to limit
Medical	$35,000			
Less: 10% of federal AGI	(30,000)			
Total		$5,000		$5,000
Taxes				
Oregon income tax	$46,000			
Other taxes	2,000			
Total		$48,000	$48,000	
Interest				
Home mortgage			$10,500	
Investment interest				$1,500
Total		$12,000		
Contributions		$15,000	$15,000	
Casualty loss, Non-business		$2,500		$2,500
Miscellaneous	$15,000			
Less: 2% of federal AGI	($6,000)			
Total		$9,000	$9,000	
Other misc. deductions				
Gambling losses		$3,000		$3,000
Total itemized deductions		$94,500	$82,500	$12,000

Adam's itemized deductions total $94,500, of which $82,500 is subject to the federal limit, and $12,000 is not subject.

Here is an example of how Adam calculates his Oregon itemized deductions:

1. Itemized deductions subject to the limit (from your federal itemized deductions worksheet).	1. $82,500
2. Limitation limit: Line 1 multiplied by 80% (.80).	2. $66,000
3. Federal AGI minus federal income limit (300,000-250,000).	3. $50,000
4. Line 3 multiplied by 3% (.03).	4. $1,500
5. Enter the smaller of line 2 or line 4.	5. $1,500
6. Line 1 minus line 5. This is your allowable limited deductions.	6. $81,000
7. Line 6 divided by line 1. Carry this decimal to three places.	7. .982
8. Line 7 multiplied by Oregon income tax you claimed on federal Schedule A, line 5, multiplied by decimal on line 7. (46,000 x .982)	8. 45,172

For Oregon, Adam will reduce his $93,000 of federal itemized deductions (81,000 + 12,000) by $45,172 of Oregon income tax not allowed as an itemized deduction. His net Oregon itemized deductions total $47,828.

Did you claim an Oregon credit for contributions to the Child Care Fund, Oregon Cultural Trust, Oregon Production Investment Fund, Renewable Energy Development Fund, University Venture Development Fund, or Alternative Fuel Vehicle Fund, and also claim your contribution as a federal deduction on Schedule A? Were your itemized deductions limited because your adjusted gross income (AGI) exceeded the federal threshold amount? If so, you can use the itemized deduction limit worksheet above to calculate your addition.

Example 2: Use the same facts as in Example 1 above, except Adam's charitable contributions contained $5,000 that was also claimed as a credit for tax credits purchased from the Alternative Fuel Vehicle Fund auction. Adam will use the percentage calculated on line 7 of the worksheet to determine his addition for Oregon, calculated as follows:

Total contributions not allowed for Oregon purposes.	$5,000
Percentage of contributions allowed on federal Schedule A (line 7).	.982
Oregon addition (5,000 x .982).	$4,910

Of the $5,000 contribution Adam made, only $4,910 was allowed on his federal Schedule A due to the AGI limitation. Adam's Oregon addition will be for $4,910, the amount allowed on Schedule A, not the full donation of $5,000.

Net Oregon itemized deductions

Your net Oregon itemized deductions are your:

- Total federal itemized deductions, less
- Oregon state income tax claimed as an itemized deduction.

In most cases, you'll use net Oregon itemized deductions if that amount is larger than your Oregon standard deduction. The exception to this is for married/RDP filing separately, explained earlier.

Part-year residents and Nonresidents

[Deduction/modification code 608]

Did you itemize deductions and claim one or more of the following Oregon credits: Child Care Fund contribution, Oregon Cultural Trust contribution, Oregon Production Investment Fund contribution, Renewable Energy Development Fund contribution, University Venture Development Fund contribution, Long-term Care Insurance Premiums, Neighborhood Partnership Fund contribution (Individual Development Accounts donation credit), or the Alternative Fuel Vehicle Fund contribution? If so, you may have a modification; see the instructions for the credit(s) you claimed in the "additions" section of this publication for the amount of your modification.

You will claim the required addition as a negative "other deduction and modification" on your Oregon Form 40N or 40P. Clearly write a minus sign in front of the corresponding amount for this addition on line 46 of your return or Schedule OR-ASC-N/P.

Standard deduction

Use the standard deduction **only** if it is larger than your net itemized deductions. If you're married/RDP filing separately and your spouse itemizes, your standard deduction is -0-.

Generally, your standard deduction is based on your filing status:

Single $2,080
Married/RDP filing jointly $4,160
Married/RDP filing separately
If spouse/RDP claims standard deduction $2,080
If spouse/RDP claims itemized deductions ..... -0-
Head of household $3,345
Qualifying widow(er) $4,160

Standard deduction—Age 65 or older, blind. Did you check one or more of the boxes on line 7a because you or your spouse/RDP are age 65 or older or because you or your spouse/RDP are blind? Then you're entitled to an **additional deduction amount.**

If you checked one or more of the boxes on line 7a, multiply the number of boxes checked by:

- **$1,000 if married or qualifying widow(er)**
- **$1,200 if single or head of household**

Add this amount to the standard deduction amount for your filing status from above. Fill in the total on line 26.

Example 1: Matt and Sandy are married and file a joint return. They checked two of the boxes on line 7a because Matt is over 65 (not blind) and Sandy is blind (age 62). Their total standard deduction is $6,160. They figure their standard deduction as follows:

$4,160	Standard deduction for their filing status MFJ
$2,000	2 x $1,000
$6,160	Total standard deduction

Standard deduction—Single or married/RDP filing jointly dependents. If you or you and your spouse/RDP **can** be claimed as a dependent on another person's return (even if the other person does not claim you), use the following worksheets to figure your standard deduction:

Standard deduction worksheet for single dependents

1.	Enter your earned income (see definition below).	1. _____
2.	Additional, set amount.	2. $350
3.	Add lines 1 and 2.	3. _____
4.	Minimum standard deduction, set amount.	4. $1,000
5.	Enter the larger of line 3 or 4.	5. _____
6.	Basic standard deduction for single.	6. $2,080
7.	Enter the smaller of line 5 or 6.	7. _____
8.	If you are age 65 or older, enter $1,200, if not enter -0-.	8. _____
9.	If you are blind, enter 1,200, if you are not, enter -0-.	9. _____
10.	Add lines 7, 8, and 9. Enter the total here. This is your standard deduction.	10. _____

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

Example 1: Homer is single, age 17, not blind, and claimed as a dependent by his father. He had $1,135 of earned income. Homer's standard deduction is $1,485, figured as follows:

1.	Enter your earned income.	1. $1,135
2.	Additional, set amount.	2. $350
3.	Add lines 1 and 2.	3. $1,485
4.	Minimum standard deduction, set amount.	4. $1,000

5.	Enter the larger of line 3 or 4.	5. $1,485
6.	Basic standard deduction for single.	6. $2,080
7.	Enter the smaller of line 5 or 6.	7. $1,485
8.	If you are age 65 or older, enter $1,200, if not enter -0-.	8. -0-
9.	If you are blind, enter 1,200, if you are not, enter -0-.	9. -0-
10.	Add lines 7, 8, and 9. Enter the total here. This is your standard deduction.	10. $1,485

Standard deduction worksheet for married/RDP filing jointly dependents (FJD)

1.	Enter your earned income.	1. _____
2.	Additional, set amount.	2. $350
3.	Add lines 1 and 2.	3. _____
4.	Minimum standard deduction, set amount.	4. $1,000
5.	Enter the larger of line 3 or 4.	5. _____
6.	Standard deduction for FJD.	6. $4,160
7.	Enter the smaller of line 5 or 6.	7. _____
8.	If you are age 65 or older, enter $1,000, if not enter -0-.	8. _____
9.	If you are blind, enter 1,000, if you are not, enter -0-.	9. _____
10.	Add lines 7, 8, and 9. Enter the total here. This is your standard deduction.	10. _____

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

Example 2: Jack and Jill are married and are both full-time college students. Jack is 20 and Jill is 21. Neither is blind. They live in Jack's parent's home and are both claimed as dependents by Jack's parents. Jack and Jill work part-time at the university. Together they had $7,620 of wage income. Jack and Jill will file a joint tax return. They calculate their standard deduction as follows:

1.	Enter your earned income.	1. $7,620
2.	Additional, set amount.	2. $350
3.	Add lines 1 and 2.	3. $7,970
4.	Minimum standard deduction, set amount.	4. $1,000
5.	Enter the larger of line 3 or 4.	5. $7,970
6.	Basic standard deduction for FJD.	6. $4,160
7.	Enter the smaller of line 5 or 6.	7. $4,160
8.	If you are age 65 or older, enter $1,000, if not enter -0-.	8. -0-
9.	If you are blind, enter 1,000, if you are not, enter -0-.	9. -0-
10.	Add lines 7, 8, and 9. Enter the total here. This is your standard deduction.	10. $4,160

Standard deduction—Nonresident aliens. The standard deduction for nonresident aliens is -0-.

Standard deduction—Short-period return. Individuals filing a short-period return may not claim a standard deduction.

Oregon tax ORS 316.037

Tax. To figure the tax on your Oregon taxable income, refer to the tax booklet for the correct tax tables or tax charts. These are also available on our website at www.oregon.gov/dor.

Interest on certain installment sales (ORS 314.302). Do you have installment sales that you had to pay interest on the deferred tax liability for federal purposes? If so, you must also pay interest for Oregon. The amount due is computed the same way as for federal. The interest rate for 2013 is 5 percent.

Part-year residents. For the part of the year you were a nonresident, include only those installment obligations that were from dispositions of property in this state.

For the part of the year you were a resident, consider all installment obligations.

Farm liquidation long-term capital gain tax rate ORS 316.045

A reduced tax rate is available if you sold or exchanged capital assets used in farming activities. The sale or exchange must represent a termination of all your ownership interests in a farming business, or a termination of all your ownership interests in property that is used in a farming business.

Farming activities include:

- Raising, harvesting, and selling crops.

- Feeding, breeding, managing, or selling livestock, poultry, fur-bearing animals, or honeybees or the product thereof.
- Dairying and selling dairy products.
- Stabling or training horses, including providing riding lessons, training clinics, and schooling shows.
- Propagating, cultivating, maintaining, or harvesting aquatic species, birds, and other animal species.
- Growing and harvesting cultured Christmas trees or certain hardwood timber.
- On-site construction and maintenance of equipment and facilities used in farming activities.
- Preparing, storing, or disposing of products or byproducts raised for human or animal use on land employed in farming activities.

Farming activities do not include growing and harvesting trees of a marketable species, other than growing and harvesting cultured Christmas trees or certain hardwood timber.

You may not claim the special tax rate on a sale or exchange to a relative, as defined by Internal Revenue Code Section 267. A farm dwelling or farm homesite is not considered to be property used in the trade or business of farming.

Partnerships or S corporations. The sale of ownership interests in a farming corporation, partnership, or other entity qualifies for the special tax rate. The taxpayer must have had at least a 10 percent ownership interest in the entity before the sale or exchange.

How to compute the tax. If you qualify, follow the steps in the worksheet below to figure the tax on your farm assets' net long-term capital gain (NLTCG).

If you have a net loss from the sale or exchange of all assets during the year, STOP HERE. You do not qualify for the reduced rate on the sale of farm assets.

The NLTCG eligible for the special tax rate is computed as follows:

a.	Enter your NLTCG from farm assets.	a. _____
b.	Enter your capital gain included in Oregon income.	b. _____
c.	Enter the smaller of line a or line b here and on line 2 below.	c. _____

Worksheet FCG, Farm Capital Gain

1.	Enter your Oregon taxable income.	1. _____
2.	Enter your farm assets' NLTCG from line c above.	2. _____
3.	Modified taxable income. Line 1 minus line 2, but not less than -0-.	3. _____
4.	Enter the Oregon tax on amount from line 3 above. Use the appropriate tables or tax rate charts found in the instruction booklet.	4. _____
5.	Enter the smaller of line 1 or 2 above.	5. _____
6.	Multiply line 5 by 5% (.05).	6. _____
7.	Add lines 4 and 6. This is your Oregon tax. If you file Form 40P, go to line 8 below.	7. _____
8.	Form 40P filers, compute your Oregon income tax by multiplying line 7 above by your Oregon percentage. This is your Oregon tax.	8. _____

Check the box labeled "Worksheet FCG" on your Oregon tax return.

Example: In June 2013 Al retired and sold all of his dairy farm capital assets. Below is the completed worksheet for Al:

a.	NLTCG from farm assets.	a. $180,000
b.	His capital gain included in Oregon income.	b. $152,000
c.	Enter the smaller of line a or line b here and on line 2 below.	c. $152,000

Worksheet FCG, Farm Capital Gain

1.	Oregon taxable income.	1. $60,000
2.	Farm assets' NLTCG from line c above.	2. $152,000
3.	Modified taxable income. Line 1 minus line 2, but not less than zero.	3. -0-
4.	Oregon tax on amount from line 3. Use tax tables or charts.	4. -0-
5.	Enter the smaller of line 1 or line 2.	5. $60,000
6.	Line 5 × 5% (.05).	6. $3,000
7.	Line 4 plus line 6. This is Al's Oregon tax.	7. $3,000

Al enters the $3,000 capital gain tax on his Form 40. He will check the "Worksheet FCG" box to show that his tax is based on farm capital gain.

Farm income averaging ORS 314.297

You can figure your Oregon income tax by averaging, over the previous three (base) years, all or part of your 2013 farm income. This may give you a lower tax if your 2013 farm income is higher than your taxable income for one or more of the three prior years.

Elected farm income

A farming business is the trade or business of cultivating land or raising or harvesting any agricultural or horticultural commodity. Your elected farm income is the amount of your taxable income from farming that you elect to include on Form FIA-40, FIA-40P, or FIA-40N. You do not have to include all of your taxable income from farming. It may be to your advantage to include less than the full amount. It depends on how the amount affects your tax bracket for the current and three prior tax years.

To download the following forms and instructions, go to our website or call us to order the forms.

- Form FIA-40, *Oregon Farm Income Averaging*, if you are a full-year resident.
- Form FIA-40N/P, *Oregon Farm Income Averaging*, if you are a nonresident or part-year resident.

Credits

For certain credits, you must qualify, apply, and be certified before you can claim them on your return. Other agencies, not the Department of Revenue, are responsible for certifying these credits. Contact information is included with the explanation for each certified credit in this section.

Full-year residents. All credits you qualify for are allowed on Form 40.

Part-year residents and nonresidents. You must prorate certain Oregon credits by multiplying your total credit by your Oregon percentage from Form 40N or 40P to figure the amount you can claim on your Oregon return. You must prorate the following credits:

- Agricultural workforce housing.
- Biomass production/collection.
- Child and dependent care.
- Crop donation.
- Diesel engine replacement carryforward.
- Diesel engine repower/retrofit carryforward.
- Earned income.
- Elderly or the disabled.
- Electronic commerce zone investment.
- Employer-provided dependent care assistance.*
- Employer scholarship.
- Exemption.
- Fish screening devices.
- Long-term care insurance premiums.
- Oregon Cultural Trust.
- Oregon Veterans' Home.
- Reservation enterprise zone.
- Residential energy.
- Riparian land.
- Rural emergency medical technicians.
- Rural medical practitioners.
- University venture development fund contributions.
- Wolf depredation.
- Working family child care.

* *Prorated for part-year residents only.*

Agricultural workforce housing ORS 315.164

[Credit code 712]

Who can claim the credit?

You may be eligible for a credit if you construct or rehabilitate agricultural workforce housing for seasonal or year-round agricultural workers and their immediate families in Oregon. The housing must be occupied at some time during the year by a agricultural worker to qualify for the credit. Housing cannot be used for any purpose except housing for agricultural workers. Your family members are not considered agricultural workers under this credit. The credit is available for projects that physically began on or after January 1, 1990. The project must be completed before you can claim the credit.

S corporations and partnerships. The individual shareholders must claim the tax credit based on their percentage of S corporation ownership interest.

In partnership, the individual partners must claim the tax credit based on their distributive share of partnership income.

Part-year residents and nonresidents. The credit is available to nonresidents and part-year residents who build or restore agricultural workforce housing located in Oregon. You must multiply the allowable credit by the Oregon percentage on Form 40N or 40P.

How much is the credit?

The total credit is 50 percent of the eligible costs actually paid or incurred to complete the agricultural workforce housing project. The credit may be taken in any of the ten consecutive tax years beginning with the tax year the agricultural workforce housing project is completed. However, the amount of credit allowed in any one tax year cannot exceed the lesser of:

- 20% of the total credit; or
- Your Oregon tax liability.

Construction and rehabilitation costs include those for financing, construction, excavation, installation, and permits. Construction costs also include acquisition of new or used prefabricated or manufactured housing. However, rehabilitation costs do not include the costs of acquiring a building or an interest in a building. In either type of project, construction or rehabilitation, acquisition costs of land and existing improvements on that land used for the project are not eligible costs.

Depreciation and basis. Depreciation and amortization expenses associated with the agricultural workforce housing project are not decreased by the amount of the tax credit. Your adjusted basis in the housing project is not decreased by the tax credit.

How to claim the credit

Oregon Housing and Community Services (OHCS) must inspect the agricultural workforce housing project **prior to** occupancy. For an application, call

OHCS in Salem at 503-986-2008 or visit their website at www.ohcs.oregon.gov.

If your project qualifies, you'll get a tax credit approval letter. Keep the letter with your tax records.

If you build the housing for resale to a agricultural workforce housing project operator, no inspection or approval is necessary. You still may claim the credit.

Carryforward. The credit cannot be more than your tax liability. You can carry forward any unused credits over the next nine years. Any credit unused within nine years is lost.

Example: Ann completes an agricultural workforce housing project in tax year 2XX1 with eligible costs of $1,500,000. She receives a tax credit approval letter certifying a credit of $750,000 ($1,500,000 x .50). Ann may choose to claim her credit in any of the 10 consecutive tax years beginning with tax year 2XX1. Because Ann's tax liability is relatively small for tax years 2XX1 and 2XX2, she chooses to claim her credit in tax year 2XX3. Ann is limited to the smaller of her tax liability or $150,000 (0.20 x 750,000) of her credit in any given tax year. Here are Ann's tax liabilities for the next 12 years, her allowed credit amounts, and her carryforward to each following year:

Year	Tax liability	Allowed Credit	Carryforward
2XX1	$500	$0	–
2XX2	$1,000	$0	–
2XX3	$100,000	$100,000	$650,000
2XX4	$200,000	$150,000	$500,000
2XX5	$150,000	$150,000	$350,000
2XX6	$50,000	$50,000	$300,000
2XX7	$50,000	$50,000	$250,000
2XX8	$0	$0	$250,000
2X09	$50,000	$50,000	$200,000
2X10	$0	$0	$200,000
2X11	$0	$0	$200,000
2X12	$250,000	$150,000	$0

Even though Ann has $50,000 of her total credit left over after tax year 2X12, she cannot carry that amount forward to any other tax years. She may only carry forward the credit to the nine years immediately following the tax year she claims the credit.

Alternative Fuel Vehicle Fund (auction) ORS 316 Oregon Laws 2013

[Credit code 753]

You may be able to claim a tax credit if you participated in the Alternative Fuel Vehicle tax credit auction conducted by the Department of Revenue, in cooperation with the Oregon Department of Energy. Proceeds from the auction go to a fund from which the Department of Energy will create a loan program for public bodies and tribes to assist in the purchase of new alternative fuel vehicles. Total credits certified by the Oregon Department of Energy each fiscal year are limited to $1.5 million.

If you received a tax credit through the auction, your credit amount is shown on your certificate issued by the Oregon Department of Energy. Claim the credit on the "other credits" line on your Oregon return.

If you claim any amount you paid for this credit as a deduction on your federal return, you must add back that amount to your Oregon income. You'll have an "other addition" on your Oregon return. For more information on the addition, see page 49.

Part-year residents and Nonresidents. You can claim the full amount of the credit you received in the auction, limited by your tax liability as explained below.

Carryforward. The credit cannot be more than your tax liability. You can carry forward any unused credits over the next three years. If you don't use the carryforward within three years, it is lost. This credit cannot be transferred or sold.

Auction information. Visit www.oregon.gov/dor/pertax/pages/credit-auction-info.aspx for information on upcoming auctions and auction rules and procedures.

Biomass production/collection ORS 315.141, 315.144

[Credit code 743]

If you produce or collect biomass to be used in Oregon as biofuel, you may be eligible for a tax credit on your Oregon income tax return.

Who qualifies?

If you are an agricultural producer or collector of biomass that is used in Oregon as biofuel or to produce biofuel, you can claim a credit up to the amount of your tax liability.

How to claim the credit

This credit is certified by the Oregon Department of Energy. You can find out more information, read administrative rules, and download an application form at www.oregon.gov/energy/renew/biomass, then on the right navigation bar click on "Biomass Producer & Collector Tax Credits."

Carryforward. Any credit that exceeds your tax liability can be carried forward for four years. If you

don't use the carry forward within four years, it is lost. The credit is not refundable.

Part-year residents and nonresidents. You must prorate your credit by your Oregon percentage.

Credit transfers. You may transfer your credit to another taxpayer for consideration. You and the transferee must jointly file a notice of tax credit transfer with the department. Go to our website to download *Transfer Notice for Certain Credits* or contact us. Both parties must complete and sign the notice.

Include the transfer notice with the tax return of the transferee claiming the credit.

Business energy ORS 315.354, 315.357

[Credit code 703]

2012 was the last year this credit was being certified. In order to claim this credit for your qualifying project you must have:

- Filed a preliminary certification application with the Oregon Department of Energy (ODOE) on or before April 15, 2011;
- Received preliminary certification from the ODOE before July 1, 2011; and
- Received final certification from the ODOE before January 1, 2013, or demonstrated evidence of beginning construction before April 15, 2011.

Any Oregon business with investments in energy conservation, recycling, renewable energy resources, or less-polluting transportation fuels may qualify for this tax credit.

How much is the credit?

The tax credit is 35 percent of the eligible project costs. You take the credit over five years: 10 percent in the first and second years and 5 percent each year thereafter.

Those with eligible project costs of $20,000 or less may take the tax credit in one year. But the credit is not refundable and cannot exceed your tax liability.

Certain facilities using or producing renewable energy resources are allowed a tax credit of 50 percent of eligible project costs. This credit is claimed at 10 percent each year for five years.

A special credit is allowed to homebuilders for installing renewable energy systems and building high-performance homes. These credit amounts are up to $9,000 and $12,000, respectively.

Do not adjust your Oregon basis for the amount of any credits claimed.

New applications are no longer being accepted. For more information, contact the Oregon Department of Energy at 1-800-221-8035 (toll-free from an Oregon prefix), in Salem at 503-378-4040, or go to www.oregon.gov/energy.

How to claim the credit

Apply for a final tax credit certificate when your project is finished. Department of Energy staff will review your actual expenses and, when approved, will send you the final certificate. Keep a copy of the final certification with your Oregon tax records.

Carryforward. Your credit cannot be more than your tax liability. You can carry forward any unused credit over the next eight years. If you don't use the carry forward within eight years, it is lost.

Child and dependent care ORS 316.078

[Form 40N only: Credit code 745]
[Carryforward credit code 704]

Who can claim the credit?

You're allowed an Oregon credit only if you qualify for the federal child and dependent care credit. You may still be able to claim the Oregon credit even if you can't use all your federal credit. In most cases, you can't claim the credit if you're married/RDP filing separately.

How much is the credit?

Use the following worksheet:

1. Enter the amount from federal Form 2441, line 6.* 1. _____

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

If your federal *taxable income* from Form 1040, line 43; or Form 1040A, line 27 is: Over–	But not over–	Your decimal 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

3. Multiply the amount on line 1 by the decimal amount on line 2. 3. _____

Form 40 filers: If you paid prior year child care expenses in 2013, continue to line 4. Otherwise, stop here. This is your credit.

Form 40P and 40N filers: If you paid prior year child care expenses in 2013, continue to line 4. Otherwise, continue to line 8. Your credit is limited.

Did you pay 2012 child care expenses in 2013? If so, you may be able to use that amount to increase your 2013 Oregon child and dependent care credit. If you entered CPYE on the dotted line next to line 9 of federal Form 2441, then continue to line 4 to figure your credit.

4. Enter the amount of your prior year child and dependent care expenses included in the computation of your federal credit. 4. _____

5. Enter the decimal amount that applies to your prior year federal taxable income. 5. _____

6. Multiply line 4 by line 5. 6. _____

7. Add the amounts on line 3 and 6. This is your credit. 7. _____

If you file Form 40N or 40P, you must complete line 8 below.

8. Multiply the greater of line 3 or 7 by your Oregon percentage. This is your credit. 8. _____

*Do not enter more than $3,000 for one qualifying dependent or $6,000 for two or more qualifying dependents.

Carryforward. Your credit cannot be more than your tax liability for Oregon. You can carry forward any unused credit over the next five years. If you don't use the carry forward within five years, it is lost. Use credit code 704 when claiming a carryforward of your prior year child and dependent care credit.

Example: Mr. and Mrs. Taylor are married filing a joint return. They have one three-year-old dependent daughter who is in day care while they work. The Taylors had federal taxable income of $44,100 and $3,900 of child care expenses in 2013. They do not have any prior-year child care expenses included in their 2013 federal expenses. Here's how the Taylors determine their child and dependent care credit:

1. Enter the amount from federal Form 2441, line 6. 1. $ 3,000

2. Enter the decimal amount from the following table. 2. .04

If your federal *taxable income* from Form 1040, line 43; or Form 1040A, line 27 is:		Your decimal amount is:
Over—	But not over—	
——	$5,000	.30
$5,000	10,000	.15
10,000	15,000	.08
15,000	25,000	.06
25,000	35,000	.05
35,000	45,000	.04
45,000	——	.00

3. Multiply the amount on line 1 by the decimal amount on line 2. 3. $120

If you paid all your 2013 expenses in 2013, stop here. This is your credit.

4. Enter the amount of your prior year child and dependent care expenses included in the computation of your federal credit. 4. n/a

5. Enter the decimal amount that applies to your prior year federal taxable income. 5. _____

6. Multiply line 4 by line 5. 6. _____

7. Add the amounts on line 3 and 6. This is your credit. 7. $120

Child Care Fund contribution ORS 315.213

[Credit code 705]

Contributions to the Child Care Fund qualify for a credit on your Oregon income tax return. Your credit is equal to 75 percent of the dollar amount donated. Your donation will help address child care affordability, provider compensation, and quality assurance issues in Oregon. For details on the program, go to the Oregon Department of Education, Early Learning Council, Office of Child Care, www.oregon.gov/employ/ccd.

How to claim the credit

The Office of Child Care will compute your allowable tax credit and give you a certificate. Keep this certificate with your permanent tax records.

Enter your credit on the "other credits" line on your tax return along with the credit's numeric code.

If you claim your Child Care Fund contribution as an itemized deduction on your Schedule A, you must add back that amount to income. See page 49 for additional information.

Part-year residents and nonresidents. You can claim the credit allowed a full-year resident.

Carryforward. Your credit may not be more than your tax liability for Oregon. You can carry forward any unused credit over the next four years. If you don't use the carry forward within four years, it is lost.

Claim of right income repayment

Did you repay over $3,000 of income taxed by Oregon in a prior year and claim a federal claim of right deduction or credit under IRC § 1341? If so, you may claim an Oregon credit based on the Oregon tax you paid in that earlier year for the income that you repaid. Repayments of $3,000 or less do not qualify for an Oregon credit.

If you claimed a credit on your federal return, follow the instructions on Worksheet CR (Form number 150-101-168) to calculate your Oregon credit. Include the credit on the estimated payment line of your Oregon return, and check the claim of right box.

If you claimed a federal deduction for the repayment, you have a choice for Oregon. The deduction can flow through to your Oregon return, or, if it results in less tax, you can claim the Oregon credit instead. If you let the federal deduction flow through, you don't need to do anything further on your Oregon return. You must add back any federal deduction to claim the credit on your Oregon return. See the instructions on Worksheet CR (Form number 150-101-168) if you're not sure which is best. Information about the addition can be found on page 49.

Crop donation carryforward ORS 315.156

[Credit code 708]

2011 was the last year this credit could be claimed. However, you can carry forward any unused credit for three years. The credit cannot be more than your tax liability for Oregon. If you don't use the carryforward within three years, it is lost.

Diesel engine replacement Temporary provisions relating to low emission truck engines following ORS 315.356 carryforward

[Credit code 734]

This credit expired July 1, 2011. However, you can carry forward any unused certified credit for four years. The credit cannot be more than your tax liability for Oregon. If you don't use the carryforward within four years, it is lost.

Diesel engine repower or retrofit Temporary provisions relating to diesel engines, following ORS 315.356 carryforward

[Credit code 734]

2011 was the last year this credit could be claimed. However, you can carry forward any unused credit for three years. The credit cannot be more than your tax liability for Oregon. If you don't use the carryforward within three years, it is lost.

Earned income ORS 315.266

You're allowed an Oregon earned income credit (EIC) only if you qualify for the earned income credit on your federal return. Your Oregon EIC is refundable. If the credit is more than your Oregon tax liability, the difference will be refunded to you.

Full year residents. Your Oregon EIC is 6 percent of your federal EIC.

Part-year residents and nonresidents. Your Oregon EIC is 6 percent of your federal EIC, multiplied by your Oregon percentage.

Elderly or disabled ORS 316.087

[Credit code 709]

Oregon allows a credit for the elderly or disabled if you qualify for the federal elderly or disabled credit, refer to federal Form 1040, Schedule R.

You can claim this credit or the retirement income credit, but not both in the same year.

Full-year residents. Your Oregon credit is 40 percent of your federal credit.

Part-year residents and nonresidents. Your credit is 40 percent of your federal credit, multiplied by your Oregon percentage.

No carryforward. Your credit cannot be more than your tax liability for Oregon. Any credit not used this year is lost.

Electronic commerce zone investment ORS 315.507

[Credit code 710]

This credit is available to individuals and businesses that engage in electronic commerce in an Oregon enterprise zone or city designated for electronic commerce. Go to www.oregon4biz.com/The-Oregon-Advantage/Incentives/Enterprise-Zones/ for complete information.

What costs qualify?

The credit is for costs of capital assets related to electronic commerce sales, customer service, order fulfillment, or broadband infrastructure.

How to apply for the tax credit

You may download the authorization application and exemption claim forms from our website at www.oregon.gov/dor/property and click on "Enterprise zone" on the right navigation bar.

How much is the credit?

The credit is equal to 25 percent of the investments made during the tax year. The maximum credit allowed in any tax year is $2 million.

Part-year residents and nonresidents. Multiply your credit by your Oregon percentage.

Carryforward. Your credit cannot be more than your tax liability for Oregon. You may carry forward any unused credit over the next five years. If you don't use the carry forward within five years, it is lost.

Employer-provided dependent care assistance ORS 315.204

[Credit code 707]

Employers may claim a credit for providing dependent care assistance to their employees. There are two credits available:

- Information and referral services credit.
- Assistance credit.

Information and referral services—ORS 315.204(4)

This credit is for employers who provide dependent care information and referral services. The services must be used to help their employees find dependent care.

The credit is 50 percent of the amount paid by the employer to provide these services.

Assistance—ORS 315.204(1)

This credit is for employers who pay for the care of their employees' dependents.

The person receiving the dependent care must be an employee's:

- Dependent, under the age of 13, or
- Dependent, physically or mentally incapable of self-care, or
- Spouse, physically or mentally incapable of self-care.

The credit is the **smaller** of:

- 50 percent of the qualifying expenses paid by the employer, or
- $2,500 per employee who receives the assistance.

The employer must have a written dependent care assistance plan. Taxpayers must apply to the Office of Child Care, in the Early Learning Council of the Department of Education and receive certification. Only amounts paid for dependent care provided in Oregon are eligible for the credit. The dependent care provider cannot be the employee's spouse, a dependent, or a child (under age 19).

The business deductions claimed on the employer's tax return must be reduced by the amount of the credit claimed.

Employees. Did your employer make dependent care payments for you? If so, you cannot use the amount of your employer's payments to claim a child and dependent care credit on your income tax return.

Did the dependent care payments exceed the income of either you or your spouse? If so, you must add the excess payment to your gross income.

Employers. For general information on how to select a dependent care option, contact the Office of Child Care in Salem at 503-947-1400 or toll-free from an Oregon prefix at 1-800-556-6616.

How to claim any of the two dependent care assistance credits

To claim either the information and referral services credit or the assistance credit, you must complete the *Dependent Care Credits for Employers* form. To download the form, go to our website or call us to order. Complete the part of the form that applies to the credit you're claiming. Keep the completed form with your income tax records.

Partnerships or S corporations. Partners or shareholders can claim a portion of the partnership or S corporation credit based on their percentages of ownership interest.

Part-year residents. Information and referral services credit and assistance credit. You must multiply your allowable Oregon credit by your Oregon percentage on Form 40P.

Nonresidents. Information and referral services credit and assistance credit. You may claim the credit allowed a full-year resident.

Carryforward. The total of your dependent care assistance credits may not be more than your Oregon tax liability. You may carry forward any unused credit for five years. If you don't use the carryforward within five years, it is lost.

Employer scholarship ORS 315.237

[Credit code 711]

A tax credit is allowed to Oregon employers who have scholarship programs for their employees and their employees' dependents. To receive the credit, you must be certified by the Oregon Student Assistance Commission and apply to participate in the Tax Credit Program. Keep the certificate with your tax records. For an application and more information, contact the commission in Eugene at 541-687-7400 or toll-free from an Oregon prefix at 1-800-452-8807, ext. 7400, or go to their website at www.oregonstudentaid.gov.

How much is the credit?

The credit is the smaller of:

- 50 percent of the amount of qualified scholarship funds actually paid to or on behalf of qualified scholarship recipients during the tax year; or
- $50,000.

Part-year residents and nonresidents. Multiply your credit by your Oregon percentage.

Carryforward. Your credit cannot be more than your Oregon tax liability. You can carry forward any unused credit over the next five years. If you don't use the carry forward within five years, it is lost.

Energy conservation project credit ORS 315.331

[Credit code 750]

A tax credit is allowed for energy conservation projects certified by the Department of Energy.

What Qualifies?

The project must be located in Oregon and the final certification must be received from the Oregon Department of Energy.

How much is the credit?

The credit is 35 percent of the certified cost of the project. You must take the credit over five years: 10 percent in the first and second years and 5 percent in each of the three years thereafter.

Those with certified costs of $20,000 or less may take the entire tax credit in the first year.

How to apply for the credit

For an application, fee information, and assistance with the application process, contact the Oregon Department of Energy at 1-800-221-8035 (toll-free from an Oregon prefix), in Salem at 503-378-4040, or go to www.oregon.gov/energy.

How to claim the credit

Apply for a final tax credit certificate when your project is finished. Department of Energy staff will review your actual expenses and, when approved, will send you the final certificate. Keep a copy of the final certification with your Oregon tax records.

Carryforward

Your credit cannot be more than your tax liability. You can carry forward any unused credit over the next five years. If you don't use the carry forward within five years, it is lost.

Credit transfers

The owner of a project may transfer the credit in exchange for a cash payment equal to the present day value of the tax credit, as established by the Department of Energy. The credit may only be transferred to another personal income taxpayer, a C corporation, or an S corporation. Transfer to a partnership is not allowed. The credit may only be transferred once.

Exemption
ORS 316.085

This year's maximum credit is $188 for each qualifying exemption. The exemption amount is indexed for inflation.

An exemption credit* is not allowed if your federal adjusted gross income on line 8 of Form 40, or line 38(F) of Form 40N, or Form 40P exceeds:

- $200,000 for married/RDP filing jointly, head of household, or qualifying widow(er) filers; or
- $100,000 for married/RDP filing separately or single filers.

**Includes your, your spouse's, dependent, severely disabled, and child(ren) with a disability exemptions.*

Part-year residents and nonresidents. Multiply your exemption credit by your Oregon percentage.

You and your spouse/RDP

You are allowed one exemption credit for yourself and one for your spouse/RDP if you are filing a joint return. If someone else **can** claim you as a dependent, you cannot claim an exemption for yourself. If someone else can claim your spouse/RDP as a dependent, you cannot claim their exemption. This is true even if the other person does not claim you (or your spouse/RDP) as a dependent.

If your spouse/RDP qualifies as your dependent and you are filing using the status married/RDP filing separately, include your spouse/RDP on the "All dependents" line, line 6c, not on the spouse/RDP line, line 6b.

Severely disabled—ORS 316.752

Did you have a severe disability at the end of the tax year? If so, you can claim an additional exemption credit. You may qualify for the severely disabled exemption even if someone else can claim you as a dependent. You're considered to have a severe disability if **any** of the following apply:

- You permanently lost the use of one or both feet or legs, or
- You permanently lost the use of both hands, or
- You're permanently blind, or
- You have a permanent condition or an impairment of indefinite duration that limits your ability to:
  - — Earn a living, or
  - — Maintain a household, or
  - — Transport yourself.

Deafness or hearing impairment alone do not qualify as a severe disability for purposes of this program. This is true regardless of any special equipment you may use in your home or workplace.

You do not qualify for this exemption if:

- You have a temporary disability from an injury or illness and are expected to recover, or
- Your condition keeps you from doing your former work but not from doing other kinds of work without special equipment.

If you have a permanent severe disability, your physician must write a letter describing it. Keep the letter with your permanent health records.

If you qualify, check the "severely disabled" exemption box on your return. If your spouse qualifies, he or she may also claim this exemption. You and your spouse may also qualify for the credit for the loss of use of limbs. See page 101.

All dependents

You are allowed one exemption credit for:

- Each child you qualify to claim as a dependent, and
- Each of your other dependents you qualify to claim on your federal return.

On your Oregon return, identify all dependents by first names.

Example: Susan gives up her exemption for her son on her federal income tax return so he can claim the federal Hope credit on his tax return. Because Susan did not claim her son as a dependent on her federal income tax return, she may not claim him as a dependent on her Oregon income tax return.

In most cases, you must claim the same dependents for Oregon as you claimed on your federal return.

Child(ren) with a disability—ORS 316.099

You may be entitled to an additional exemption credit for your dependent child who has a qualifying disability. To qualify, **all** of the following must be true. Your child:

- Qualified as your dependent for 2013, and
- Was eligible for "early intervention services" or received special education as defined by the Department of Education, and
- Was considered to have a disability as of December 31, 2013, under the federal Individuals with Disabilities Education Act.

For purposes of special education:

- Learning disabilities and communication disorders do not qualify.
- Eligible disabilities and their Oregon Department of Education code numbers include:
  - — Autism (82).

— Deaf-blind (43).
— Hearing impairment (20).
— Mental retardation (10).
— Orthopedic impairment (70).
— Other health impairment (80).
— Serious emotional disturbance (60).
— Traumatic brain injury (74).
— Visual impairment (40).

Get a current statement of eligibility and the cover sheet that confirms one of the disabilities listed above from **one** of the following:

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

Keep the statement and cover sheet with your permanent health records. Write your child's name on line 6d of your Oregon return, "disabled children only." Also be sure to include the child's name on line 6c for "all dependents."

No carryover. Your credit cannot be more than your tax liability for Oregon. Any credit not used this year is lost.

Fish screening devices ORS 315.138

[Credit code 714]

A tax credit is available to taxpayers who pay to install fish screening devices required by the Oregon Department of Fish and Wildlife (ODFW).

Who can claim the credit?

The credit is available to individuals, partners, sole proprietorships, and S corporation shareholders. Shareholders and partners can claim the credit based on their pro rata share of the certified costs.

How much is the credit?

The credit is equal to the smaller of (a) 50 percent of the net costs of installing the device, or (b) $5,000. You can still claim any depreciation or amortization otherwise allowed. Do not reduce your basis in the property by the credit amount.

Part-year residents and nonresidents. Multiply the credit allowed a full-year resident by your Oregon percentage.

How to claim the credit

ODFW will send you a preliminary certificate within 90 days of the receipt of plans, specifications, and other information it requests from you. After you complete the project, ODFW will send you a final certificate that includes the verified costs of the installation. Contact ODFW in Salem at 503-947-6000 or toll-free from an Oregon prefix at 1-800-720-6339, or go to www.dfw.state.or.us.

Keep the final ODFW certificate with your tax records. Also keep a statement showing the computation of the allowed credit, if this is not on the certificate.

Carryforward. The credit for the year cannot be more than your tax liability for Oregon. You can carry forward any unused credit over the next five years. If you don't use the carry forward within five years, it is lost.

Income taxes paid to another state ORS 316.082, 316.131

[Addition Code 104]

If you pay tax to Oregon and another state on the **same item(s) of income,** you have "mutually taxed income." You may be able to claim a credit on your Oregon return for income taxes paid to another state.

Only take a credit for tax paid to another state if Oregon taxed the income **and** the other state also had a right to tax the income. For instance, if you live in Oregon, other states cannot tax your pension income. Only the state you live in can tax your pension income. If you pay tax to another state on your pension income, you cannot take a credit for that tax. You can't take a credit for paying tax you don't owe.

If you take an Oregon credit and a federal deduction for the same tax, add the amount deducted back to your income. Add it back in the year you deduct it.

Are you a full-year Oregon resident? Do you have income taxed by Oregon and one or more of these states: Arizona, California, Indiana, or Virginia? If so, do not claim the credit on your Oregon return. (See **Exception for Oregon resident partners and S corporation shareholders** on page 99.) You must claim the credit on the nonresident return you file with the other state. See the instructions on the other state's tax form to figure your credit.

This credit is only for state income tax. You cannot claim the credit for any city tax, county tax, school tax, sales tax, alternative minimum tax (AMT), property tax, or other states' taxes not based on income. For example, the Idaho Permanent Building Fund Tax and the Washington Business and Occupation Tax do not qualify.

When can this credit be claimed?

You can claim this credit only if you have paid the other state's tax before or at the same time as you file your Oregon return. If you pay tax to another state for a prior tax year, you must amend your Oregon return for that year to claim the credit.

If Oregon and another state tax you on the same income, but in different tax years, Oregon will allow a credit for the year the tax is paid to Oregon. Go to our website if you need more information or for administrative rule OAR 150-316.082(6).

If you have a gain from the sale of your home and you pay tax to Oregon and another state or country on that sale, you can claim **either** the credit for taxes paid to another state or the credit for mutually taxed gain on the sale of residential property. **You cannot claim both credits.** See **Mutually taxed gain on the sale of residential property** on page 103.

How much is the credit?

Your credit is the smallest of:

- Your Oregon tax after all other credits, or
- The tax you actually paid to the other state, or
- The amount figured using Formula I, below, or
- The amount figured using Formula II, below, (for nonresidents and part-year residents for the part of the year you were a nonresident of Oregon only).

Definitions

Modified adjusted gross income

Full-year residents. Your modified adjusted gross income is your federal adjusted gross income (AGI) modified by Oregon additions and subtractions.

Part-year residents and nonresidents. Your modified adjusted gross income is the part of your federal AGI that is taxable to Oregon, modified by Oregon additions and subtractions.

"Oregon additions" are generally items of income that Oregon taxes but the federal government does not. "Oregon subtractions" are generally items of income the federal government taxes but Oregon does not. For example, U.S. bond interest is an Oregon subtraction because it is income Oregon does not tax. Do not subtract your federal tax; it is not an income item.

Formula I

$$\frac{\text{Modified AGI taxed by both states}}{\text{Modified AGI}} \times \text{Your Oregon tax after all other credits}$$

Formula II

$$\frac{\text{Modified AGI taxed by both states}}{\text{Total income on the other state's return}} \times \text{Other state's tax after all other credits}$$

Who can claim this credit?

Full-year residents. You may claim a credit if you pay income tax to both Oregon and another state. The tax must be on the same income.

The credit for a full-year resident is the smallest of your Oregon tax after all other credits, the tax actually paid to the other state, or the amount figured with Formula I. **Note: Full-year residents do not use Formula II.**

Example 1: Nancy has adjusted gross income of $44,000. This includes $10,000 of rental income taxed by both Oregon and Idaho and $5,000 of U.S. bond interest. She received $1,000 interest from municipal bonds from another state. She has a federal tax liability of $3,000. Her Idaho income tax is $300. Her net Oregon tax is $2,000 (before her credit for income taxes paid to another state). Here's how she figures her credit:

Federal adjusted gross income	$ 44,000
Modifications	
Add municipal bond interest	+ 1,000
	$ 45,000
Less U.S. bond interest	– (5,000)
Modified adjusted gross income	$ 40,000

Note that the federal tax subtraction is not used in this computation.

Formula I: ($10,000 ÷ $40,000) × $2,000 = $500.

Nancy's credit is $300, the **smallest** of:

- Her Oregon tax after all other credits ($2,000), or
- The tax actually paid to Idaho ($300), or
- The amount from Formula I ($500).

Part-year residents. You can claim the credit for the part of the year you were a **nonresident** of Oregon if you pay income taxes on the same income taxed by both Oregon and one of the following—Arizona, California, Indiana, or Virginia.

Your credit is the smallest of:

- Your Oregon tax after all other credits,
- The tax you actually paid to the other state,
- The amount figured using Formula I, or
- The amount figured using Formula II.

You can claim the credit for the part of the year you were a **resident** of Oregon if you pay Oregon tax on income also taxed by a state not listed above (or you meet the exception described in **Exception for Oregon resident partners and S corporation shareholders**). Follow the full-year resident instructions above.

Example 2: Ezra moved from Idaho to Oregon on September 1. He sold Idaho property on October 18. His Idaho income tax after credits is $200. His Oregon income tax liability after other credits is $400. His income on his Oregon and Idaho returns is:

Oregon income

Wages September 1 to December 31	$ 7,000
Interest September 1 to December 31	500
Sale of Idaho property October 18:	
Idaho capital gain reported	+ 6,000*
Total AGI taxable to Oregon	$13,500

Idaho income

Wages January 1 to August 31		$ 11,500
Interest January 1 to August 31		1,000
Sale of Idaho property October 18:		
Idaho capital gain reported	6,000	
Less Idaho capital gain exclusion*	($3,600)	
Net capital gain taxed by Idaho		2,400
Total AGI taxable to Idaho		$14,900

** If the other state has any income exclusion that applies to the mutually taxed income, you must adjust the mutually taxed income by the exclusion amount.*

In Example 2, Ezra's federal capital gain is $6,000. The mutually taxed income is only $2,400. Idaho allows Ezra to exclude 60 percent ($3,600) of his $6,000 capital gain.

Here's how Ezra figures his Oregon credit for income taxes paid to another state:

Formula I: ($2,400 ÷ $13,500) × $400 = $71

His credit is $71, the **smallest** of:

- His Oregon tax after all other credits ($400), or
- The tax actually paid to Idaho ($200), or
- The amount from Formula I ($71).

Example 3: Use the same facts as in Example 2, except change the date Ezra sold his Idaho property to August 19.

Because Ezra sold his Idaho property before becoming an Oregon resident, he doesn't have any mutually taxed income. Ezra will not claim a credit for income tax paid to another state.

Nonresidents. You can claim a credit if you pay income taxes on the same income taxed by both Oregon and one or more of the following—Arizona, California, Indiana, or Virginia.

Your credit is the smallest of your Oregon tax after all other credits, the tax you actually paid to the other state, the amount figured using Formula I, or the amount figured using Formula II.

Example 4: Mary is a full-year resident of California. She lived in Oregon for 10 years prior to retiring to California. While living in Oregon, she acquired and maintained rental property there. She now receives installment payments from the sale of the property and pays tax to California on the gain and interest. Her California income tax after credits is $100.

Because she is an Oregon nonresident, only the gain is taxed on her Oregon nonresident return. Her Oregon tax after credits is $350. Her income is as follows:

Oregon income

Capital gain on installment sale of real property	$10,000
Total AGI taxable to Oregon	$10,000

California income

Capital gain on installment sale of real property	$10,000
Interest on installment sale	5,000
Other interest	8,000
Business loss	(20,000)
Total AGI taxable to California	$3,000

Her income taxed by both states is $10,000.

- Formula I: ($10,000 ÷ $10,000) × $350 ($350).
- Formula II: ($10,000 ÷ $3,000) × $100 ($333).

Her Oregon credit is $100, the smallest of:

- Her Oregon tax after all other credits ($350), or
- The tax actually paid to California ($100), or
- The amount from Formula I ($350), or
- The amount from Formula II ($333).

Exception for Oregon resident partners and S corporation shareholders. Owners of companies taxed in Oregon as partnerships or S corporations may be able to claim a credit for income taxes paid to another state on their **resident** Oregon return. The tax must be an income tax, not a minimum tax.

To claim the credit on the **resident** return, the partner must have participated in a group/composite filing for the other state and the partnership must have paid the partner's tax liability. The partner is considered to have paid a pro rata share of the other state's income tax.

The allowable credit is the smallest of the following:

- Oregon tax on the individual's return, or
- The individual's pro rata share of the other state's tax, or
- The individual's pro rata share of the mutually taxed income from an S corporation or partnership return:
  - — divided by the individual's modified Oregon income, and
  - — multiplied by the Oregon tax liability from the individual return.

Example 5: Oliver is a full-year Oregon resident with modified Oregon income of $30,400 and Oregon tax (after all other credits) of $1,538. Oliver is a 10 percent shareholder of My Corp., an electing S corporation in California. California has a corporate tax of

1.5 percent of income, with a minimum corporate tax of $800.

For this tax year, My Corp. distributed $10,000 among its shareholders (Oliver's share is $1,000). The corporation must pay California $800 of tax, and only $150 is attributable to income ($10,000 × 1.5%). Oliver's share of this tax is $15. The balance paid by My Corp. ($650) is a minimum tax and doesn't qualify for this credit. Oliver's Oregon credit for income taxes paid to another state is $15, the smallest of:

- Oregon tax after all other credit: $1,538, or
- Pro rata share of California's tax: $15, or
- ($1,000 ÷ $30,400) × $1,538 = $51

An Oregon resident is allowed a credit for taxes paid to another state on mutually taxed income if the other state does not allow the credit.

Example 6: Monte, an Oregon resident, receives partnership income from Virginia sources and joins in a multiple nonresident filing with that state. If Virginia does not allow a credit for taxes paid to Oregon on the multiple nonresident tax return, then Monte can claim a credit on his Oregon resident return.

Addition for taxes also claimed as an itemized deduction

Did you claim a credit for taxes paid to another state and claim those same taxes as an itemized deduction? If so, you will reduce your itemized deductions by the smaller of:

- The other state's tax liability amount for the year you claim the Oregon credit, or
- The other state's tax amount for the year you included it as an itemized deduction.

Include this amount on line 24 of Oregon Form 40 or line 42 of Form 40N/40P. This reduces your itemized deductions for the other state's income tax.

If you pay tax to more than one state, compute your addition state by state. Also compute it year by year.

Is the amount of tax you are deducting less than what you owe the other state? If so, make an addition on next year's Oregon return for the tax that was paid and deducted on your federal return.

Example 7: Inga claimed a $100 credit for taxes paid to Maine on her Oregon return. She claimed a deduction of $200 for Maine taxes withheld from her wages on Schedule A. On Inga's Maine return, her net tax liability is $150. She will reduce her itemized deductions by $150 by including that amount on line 24 of her Oregon Form 40. This is the smaller of her Maine tax liability ($150) or the amount she claimed as an itemized deduction ($200) for Maine taxes.

Example 8: Peggy lives in Oregon. She owes $300 to Iowa for 2013. Her credit for tax paid to Iowa is $200. Peggy computes her credit using Formula I. Peggy had $100 withheld from her pay for Iowa tax in 2013. She pays the other $200 when she files her 2013 Iowa return. Peggy deducts $500 for tax she pays to California.

Peggy reduces her itemized deductions by $100 by including that amount on line 24 of her Oregon Form 40. She makes no changes for the California tax. As an Oregon resident, she may not take a credit for California tax.

If Peggy itemizes again in 2014, she may deduct $200 (the additional Iowa tax paid in 2013) on her federal tax return. Peggy adds back $200 on her Oregon tax return.

Addition when credit taken by Oregon resident partners and S corporation shareholders for tax paid by partnership or S corporation

If you take a credit for tax paid to another state by a business (partnership or S corporation), add back the deduction to Oregon income this way:

Add the tax you deducted for the other state to Oregon income as an "Other addition" if:

- the business does not deduct the tax payment on its own tax return,
- you file a return for the other state, **and**
- you deduct the tax on your return.

You will also add the tax you deducted for the other state to Oregon income as an "Other addition" if:

- the business pays the tax,
- the business files a composite return for you,
- the business does not deduct the tax, **and**
- you deduct the tax on your return.

Add to your Oregon income the tax that the business deducts if:

- the business pays the tax,
- the business deducts the tax, **and**
- you take a credit on your return for it.

Use addition code 104. The deduction by the business lowered your Schedule E income.

Example 9: Susan owns 50% of Painter, Inc., an Oregon S corporation. Painter pays California income tax. It deducts the tax on its return.

Painter paid $2,000 of tax for Susan with its 2012 tax return filed in 2013. It paid $30,000 of 2012 tax for her in 2012 and $10,000 of 2012 tax in January 2013.

Susan figures her credit for 2012 using $42,000. She adds back $30,000 on her 2012 return with addition code 146.

Susan adds back $12,000 on her 2013 return.

Example 10: William itemizes his deductions. William owns 5% of Claflin, LLP, a limited partnership in Utah. The business files group returns for its owners.

Each year, the company sends a letter to its owners showing the amounts the owners can deduct for income taxes and the amounts they can take as a credit. The business pays the taxes with the group returns. The letter states that William can take a $3,000 credit for Utah and that he can deduct $4,000.

William claims a credit of $3,000 on his Oregon return and deducts $4,000 on his federal Schedule A. He will add $4,000 to his Oregon income as an "Other addition."

Individual Development Account ORS 315.271

[Credit code 715]

For information on this credit, see page 82.

Involuntary move of a mobile home carryforward ORS 316.153

[Credit code 741]

If you claimed the non-refundable credit for involuntary move of a mobile home in 2006, 2013 is the last year you may claim a carryforward. Enter the amount of your carryforward on your Oregon return as an "Other credit." Use code 741 to identify it.

If you were required to move out of a mobile home park in 2007 or later, you may qualify for the **Mobile home park closure** credit. See page 102.

Long-term care insurance premiums ORS 315.610

[Credit code 716]

Oregon allows a tax credit for long-term care insurance premiums.

Who can claim the credit?

To qualify, you must hold a policy that was issued on **or** after January 1, 2000, and you, your parents, or your dependents must be the beneficiaries. You may also claim the credit if you're an employer paying for long-term care insurance for your employees.

How much is the credit?

The credit is the smaller of 15 percent of the premiums paid <u>or</u> $500. If you and your spouse/RDP file separate returns, you must prorate the credit, but can prorate it any way you choose. The combined credits on each person's separate return can't be more than the credit you would be allowed on a joint return.

For employers, the credit is the smaller of 15 percent of the premiums paid for all covered Oregon employees <u>or</u> $500 multiplied by the number of covered Oregon employees.

Example 1: Ian purchased a long-term care insurance policy for himself in 2000. In 2013 he paid $920 of premiums to renew his policy. Ian's credit is $138 ($920 × 0.15 percent).

Example 2: Jena purchased a long-term care insurance policy for herself in 1997. In 2013 she paid $640 of premiums to renew the policy. Because Jena purchased her policy before 2000, she cannot claim this credit.

Example 3: Chevy purchased a long-term care insurance policy in 2013 for his elderly parents, Peter and Pansy. He paid $2,600 in premiums. His parents are the beneficiaries. Chevy also paid $500 in premiums to renew the long-term care insurance policy he purchased in 2001. He is the beneficiary. Chevy paid a combined total of $3,100 in premiums on the two policies. His credit is $465 ($3,100 x 0.15).

You must report any benefit from a federal deduction for the premiums as an Oregon addition. See page 53.

Part-year residents and nonresidents. Multiply the credit allowed a full-year resident by your Oregon percentage.

No carryover. Your credit cannot be more than your tax liability for Oregon. Any credit not used this year is lost.

Loss of use of limbs ORS 316.079

[Credit code 717]

Who can claim the credit?

You're entitled to this credit if you have permanent and complete loss of the use of two or more limbs.

How much is the credit?

The credit is $50 per year for taxpayers who qualify. A $50 credit can also be claimed for your spouse/RDP if they also qualify. You cannot claim this credit for a dependent.

How to claim the credit

Get a disability certification form the first year you file for the credit. The form is available from your county public health officer, who must sign the form. Keep the form with your permanent health records.

You also qualify for an additional exemption for severely disabled persons. See page 96.

No carryforward. The credit cannot be more than your tax liability for Oregon. Any credit not used this year is lost.

Low-income caregiver (for home care of a low-income person age 60 or older) ORS 316.148

[Credit code 718]

You may be eligible for this credit if you pay expenses for the care of a person 60 or older that keeps them from being placed in a nursing home. Both of you must meet certain qualifications to be eligible for the credit.

Who can claim the credit?

You can only claim the credit if your household income is less than $17,500. Household income is the total taxable and nontaxable income of a husband and wife living in the same household. See the discussion of household income on page 109.

The person receiving care must meet **all** of the following requirements:

- Is at least 60 years old, and
- Is not in a nursing home, rehabilitation facility, or other long-term skilled care facility, and
- Doesn't receive medical assistance from the state Seniors and People with Disabilities Division, and
- Qualified for Oregon Project Independence during the tax year. The program helps keep people from going to nursing homes unnecessarily. To qualify, they must have severe problems with communication, mobility, managing a household, nutrition, personal relationships, managing money, health, or other problems caring for oneself. The problems must be severe enough that the person might normally be placed in a nursing home, and
- Does not receive services from Oregon Project Independence including housekeeping, homemaking, and home health care, and
- Has household income of $7,500 or less. The support you gave the person is considered a gift. The total gifts received by the person, minus $500, must be included in their household income.

Part-year residents and nonresidents. You can claim the full credit, subject to the requirements above.

How much is the credit?

The credit is equal to the smaller of $250 or 8 percent of the qualifying expenses paid or incurred during the tax year.

What are qualifying expenses? You can claim food, clothing, medical, and transportation expenses you paid during the year. The amount you paid for lodging doesn't qualify. Transportation expenses for medical and personal needs, such as shopping, also qualify.

You can claim only the costs paid after the person became 60 years old. Do not claim costs paid while the person received benefits from Oregon Project Independence or medical assistance from Seniors and People with Disabilities Division. Don't claim costs paid while the person was in a nursing home or mental institution. When you figure the costs you paid, you must subtract any reimbursement from insurance or from the person receiving care.

How to claim the credit

To claim the credit, the Oregon Department of Human Services (DHS) must certify that the person qualifies. Download the *Low-Income Caregiver Credit* form from our website or call us to order it.

Send your completed form to DHS for certification. Instructions and the address for DHS are on the form. Keep the completed form showing the certification and expenses paid with your Oregon income tax records.

No carryover. Your credit cannot be more than your tax liability for Oregon. Any credit not used this year is lost.

Mobile home park closure, temporary provisions relating to tax credit for manufactured dwelling park closures following ORS 316.116

Did you move out of a mobile home park in 2013 because the park was closing? If so, you may be eligible for a credit. To qualify you must meet **all** of the following requirements:

- Own your mobile home,
- Rent space in a mobile home park that is closing,
- Occupy your mobile home as your principal residence,
- Receive notice that the park is closing, and
- Move out (along with all members of your household) of the mobile home park because of the park closure notice.

If you qualify, you can claim a $5,000 refundable credit on your tax return for the year that your household moved out of the closing park. To claim this credit, fill out Schedule MPC and enter the credit amount on your return. Include Schedule MPC with your tax return.

Note: If you qualify for this credit, you may have received a payment from your landlord of $5,000, $7,000, or $9,000 depending on the size of your mobile home. These payments can be subtracted on your Oregon return if you claim the taxable income on your federal return. See page 66 for more information about the subtraction.

Mutually taxed gain on the sale of residential property ORS 316.109

[Credit code 720]

If you sell your residential property, your Oregon taxable gain will be the same as your federal taxable gain.

Exceptions: If you were renting out a house and then converted it to your personal residence, the Oregon basis may be different from the federal basis due to depreciation differences.

Generally, any gain you excluded on your federal return will also be excluded on your Oregon return. You qualify for this credit only if the gain on the sale of your residential property is taxed by both Oregon and another state or country.

For the same gain, you can claim either this credit or the credit for income taxes paid to another state, but not both. You are not eligible to claim this credit if you qualify for a credit for taxes paid to another state on the other state's tax return.

How much is the credit?

The credit is the **smaller** of:

- $\frac{\text{Mutually-taxed gain}}{\text{Total income on the return of the other state/country}} \times$ Other state's/country's tax after all other credits

or

- Eight percent of the gain taxed by the other state/country.

Mutually taxed gain. Your mutually taxed gain is the total gain from the sale of your residential property, reduced by any deductions or exclusions allowed by either the other state/country or Oregon.

No carryover. Your credit cannot be more than your tax liability for Oregon. Any credit not used this year is lost.

Oregon Cultural Trust contributions ORS 315.675

[Credit code 722]

Did you make a donation to an Oregon nonprofit cultural organization during the tax year? If so, you can make a matching donation to the Trust for Cultural Development Account and get an Oregon tax credit.

How much is the credit?

You may get a credit of up to 100 percent of the amount of the matching contribution. The maximum credit is $500 per taxpayer ($1,000 on jointly filed returns). For a husband and wife who file separate returns, each may claim a share that would have been allowed on a joint return in proportion to the contribution each spouse made.

Corporations can claim a credit of up to $2,500 per tax year.

If you claim your Oregon Cultural Trust contribution as an itemized deduction on your Schedule A, you must add back that amount to income. See page 55 for additional information.

Be sure to keep receipts from both organizations with your tax records.

Part-year residents and nonresidents. Multiply the allowable credit by your Oregon percentage.

No carryforward. For individuals and corporations, the credit cannot be more than the tax liability for Oregon. Any credit not used this year is lost.

For more information about the Oregon Cultural Trust, contact the Oregon Arts Commission or go to their website at www.culturaltrust.org.

Oregon Low Income Community Jobs Initiative ORS 315.533

A tax credit is available for making a qualified equity investment in a qualified community development entity. For more information on qualifying investments and entities, visit www.oregon4biz.com/Business-financing-resources/Oregon-Finance-Programs/New-Market-Tax-Credit/ or contact John Saris at the Oregon Business Development Department at 503-986-0163.

How much is the credit?

The credit is equal to 39% of the purchase price of the qualified equity investment. It must be taken over seven years, beginning with the year of investment. The allowable tax credit for each of the seven years is:

- -0- percent in the first and second years.
- 7 percent of the purchase price in the third year.
- 8 percent of the purchase price in each of the fourth through seventh years.

Note: No credit may be claimed until tax year 2014 for qualified investments made in tax year 2012.

How to claim the credit

You must obtain certification from the Oregon Business Development Department indicating the amount of your tax credit. Keep your certificate with your tax records.

Part-year residents and Nonresidents. Multiply your credit by your Oregon percentage.

Carryforward. The credit cannot be more than your tax liability. You can carry forward any unused credits to any succeeding tax year. This credit cannot be transferred or sold.

Oregon Production Investment Fund (auction) ORS 315.514

[Credit code 737]

You may be able to claim a tax credit if you participated in the Oregon Production Investment Fund tax credit auction conducted by the Department of Revenue, in cooperation with the Oregon Film and Video Office. Proceeds from the auction go to the Oregon Production Investment Fund. Total credits certified by the Oregon Film and Video Office each fiscal year are limited to $10 million.

If you received a tax credit through the auction, your credit amount is shown on your certificate issued by the Oregon Film and Video Office. Claim the credit on the "other credits" line on your Oregon return.

If you claim any amount you paid for this credit as a deduction on your federal return, you must add back that amount to your Oregon income. You'll have an "other addition" on your Oregon return. For more information on the addition, see page 55.

Part-year residents and Nonresidents. You can claim the full amount of the credit you received in the auction, limited by your tax liability as explained below.

Carryforward. The credit cannot be more than your tax liability. You can carry forward any unused credits over the next three years. If you don't use the carryforward within three years, it is lost. This credit cannot be transferred or sold.

Auction information. Visit www.oregon.gov/dor/pertax/pages/credit-auction-info.aspx for information on upcoming auctions and auction rules and procedures.

Oregon Veterans' Home ORS 315.624

[Credit code 747]

Physicians who provide medical care to residents of an Oregon Veterans' Home (OVH) may be eligible for a credit of up to $5,000 per year.

Who can claim the credit?

Any resident or nonresident individual physician may qualify for the credit. The physician must be licensed to practice under ORS chapter 677. They must provide care to a minimum of at least eight residents at an OVH.

S corporation shareholders and partnership members may only claim a credit based on the care they provided. The full amount of the credit shall be allowed to each taxpayer who qualifies in an individual capacity.

Part-year residents and nonresidents. Your allowable credit must be prorated by your Oregon percentage.

How much is the credit?

The credit is equal to the lesser of:

- $1,000 for every eight residents to whom the physician provides care at an OVH; or
- $5,000.

How to claim the credit

You must submit with your tax return a letter from the OVH at which you provided care. The letter must state that you missed no more than 5 percent of your scheduled visits during the tax year.

No Carryforward. The credit may not exceed your tax liability for the year. There is no carry forward of unused credits.

Political contributions ORS 316.102

[Credit code 723]

Oregon law allows a tax credit for political contributions.

Who can claim the credit?

To qualify, you must have contributed money in the tax year you claim the credit. You must reduce the amount of your contribution by the fair market value (FMV) of any item(s) or service(s) you receive in exchange for your contribution. Contributions of

goods or services do not qualify. Keep receipts from the candidate or organization with your tax records. You can use copies of canceled checks as your receipt.

How much is the credit?

Your credit is equal to your contribution, but limited to $100 on a joint return or $50 on a single or separate return. The $3 check-off on the Oregon tax return does not qualify for this credit.

Partners or S corporation shareholders can claim a credit for their share of political contributions made by the partnership or S corporation. The contribution must meet the statutory requirements. The $50 and $100 limits apply individually to each partner's or shareholder's return.

No carryforward. The credit cannot be more than your tax liability for Oregon. Any credit not used this year is lost.

Which contributions qualify?

Candidates and their principal campaign committees. You can claim a credit for a contribution to a candidate for federal, state, or local elective office, or to the candidate's principal campaign committee. To qualify, at least one of the following must occur in Oregon the same calendar year you made your contribution:

- The candidate's name must be listed on a primary, general, or special election ballot,
- A prospective petition of nomination must be filed by or for the candidate,
- A declaration of candidacy must be filed by or for the candidate,
- A certificate of nomination must be filed by or for the candidate,
- A designation of a principal campaign committee must be filed with the Oregon Secretary of State's Office. **Note:** The designation must be made in each year a contribution is made to qualify under this provision.

Political action committees. You can claim a credit for contributions to political action committees (PACs). The organization must have certified the name of its political treasurer with the appropriate filing officer, usually the Secretary of State for statewide or regional elections, your county clerk for county elections, or your city recorder for city elections. PACs registered with the Federal Elections Commission may not be required to register in Oregon.

Political parties. Political parties can be national, state, or local committees of major political parties. Oregon also allows a tax credit for contributions made to minor political parties that qualify under state law. Contact the Oregon Secretary of State's Office in Salem at 503-986-1518 to see if a particular party qualifies.

Newsletter fund—credit not allowed. Oregon does not allow a credit for contributions made to a newsletter fund.

Example 1: Holly contributes $275 for a fund-raising dinner for a presidential candidate. The FMV of the dinner was $35. Holly's political contribution is $240. She must reduce her $275 contribution by the $35 FMV of the dinner she received. Being single, Holly's political contribution credit is limited to $50.

Example 2: Burt donated a desk, chair, and a four-drawer file cabinet to his favorite political action committee (PAC) headquarters. The FMV of the furniture is $410. Burt has a written receipt from the PAC. He cannot claim a political contribution credit because he didn't contribute money to the PAC. His contribution of office furniture does not qualify for the credit.

Pollution control facilities ORS 315.304

[Credit code 724]

Did you make an investment in a pollution control facility on or before December 31, 2007?

If so, you can file an optional preliminary application for the tax credit with the Department of Environmental Quality (DEQ) any time before you complete the pollution control facility. You must file an application for final tax credit with the DEQ within the first year after purchase or completion. The last date to submit an application was December 31, 2008. DEQ will make a final recommendation to the Environmental Quality Commission (EQC) based on the available information.

To contact the DEQ, write to: Oregon Department of Environmental Quality, Waste Management and Cleanup, 811 SW 6th, Portland OR 97204-1390, call in Portland 503-229-5696 or toll-free from an Oregon prefix 1-800-452-4011, ext. 6878. Or, go to DEQ's website at www.oregon.gov/deq. Keep a copy of the DEQ certificate with your tax records.

If you claim a property tax exemption, file the DEQ form with your county assessor. The property tax exemption for nonprofit corporations is valid for 20 years.

Carryforward. You can carry forward unused pollution control credits for three years. An additional three-year carryforward is allowed provided credits had not expired as of the 2001 tax year and the facility remains in operation during the additional carryforward period.

Reforestation carryforward ORS 315.104

[Credit code 727]

2011 was the last year the State Forester issued preliminary certifications for this credit. However, you can carry forward any unused amount for three years after the tax year you claim(ed) the credit. The credit cannot be more than your tax liability. If you don't use the carryforward within three years, it is lost.

For more information on this credit, see last year's publication, go to the Oregon Department of Forestry website at www.oregon.gov/odf, or call 503-945-7368.

Renewable energy development contribution (auction) ORS 315.326

[Credit code 749]

You may be able to claim a tax credit if you participated in the Oregon Renewable Energy Development tax credit auction conducted by the Department of Revenue, in cooperation with the Oregon Department of Energy. Proceeds from the auction go to a subaccount from which the Oregon Department of Energy will issue grants for renewable energy development in Oregon. Total credits certified by the Oregon Department of Energy each fiscal year are limited to $1.5 million.

If you received a tax credit through the auction, your credit amount is shown on your certificate issued by the Oregon Department of Energy. Claim the credit on the "other credits" line on your Oregon return.

If you claim any amount you paid for this credit as a deduction on your federal return, you must add back that amount to your Oregon income. You'll have an "other addition" on your Oregon return. For more information on the addition, see page 55.

Part-year residents and Nonresidents. You can claim the full amount of the credit you received in the auction, limited by your tax liability as explained below.

Carryforward. The credit cannot be more than your tax liability. You can carry forward any unused credits over the next three years. If you don't use the carryforward within three years, it is lost. This credit cannot be transferred or sold.

Auction information. Visit www.oregon.gov/dor/pertax/pages/credit-auction-info.aspx for information on upcoming auctions and auction rules and procedures.

Renewable energy resource equipment manufacturing facility ORS 315.341

[Credit code 748]

A tax credit is allowed for renewable energy resource equipment manufacturing facilities based on the cost certified by the Business Development Department or Department of Energy.

What qualifies?

The facility project must be located in Oregon and the final certification must be received from the Oregon Business Development Department (certificates issued on or after January 1, 2012), or the Oregon Department of Energy, (certificates issued before January 1, 2012).

How much is the credit?

The credit is 10 percent of the certified cost of the facility. It is taken in each of the five succeeding tax years beginning with the tax year in which the application for final certification is received by the Oregon Business Development Department. The total credit taken cannot exceed 50 percent of the certified cost of the facility.

How to apply for the credit

For an application, fee information, and assistance with the application process, contact the Oregon Business Development Department in Salem at 503-986-0123, or go to www.oregon4biz.com/The-Oregon-Advantage/Incentives/Business-Energy-Tax-Credit/.

How to claim the credit

Apply for a final tax credit certificate when your project is finished. Business Development Department staff will review your actual expenses and, when approved, will send you the final certificate. Keep a copy of the final certification with your Oregon tax records.

Carryforward. Your credit cannot be more than your tax liability. You can carry forward any unused credit over the next eight years. If you don't use the carry forward within eight years, it is lost.

Credit transfers

The owner or lessee of the facility may transfer the credit in exchange for a cash payment equal to the present day value (as determined by the Oregon Business Development Department) of the tax credit.

Reservation enterprise zone ORS 285C.309

[Credit code 728]

Businesses in an Oregon reservation enterprise zone that pay tax to tribal governments can claim a credit against their Oregon income tax.

The credit is equal to either:

- The tribal property tax on a business facility that is paid or incurred during the tax year, or
- Any tribal tax paid or incurred during the tax year the business first begins to operate in the reservation enterprise zone.

The credit is allowed only if the tax is imposed uniformly in the territory.

Contact the Oregon Economic and Community Development Department for the location of reservation enterprise zones at www.oregon4biz.com/The-Oregon-Advantage/Tax-Incentives/Enterprise-Zones.

Who can claim the credit?

The credit is available to individuals, partnerships, and corporations. Any business activity qualifies, except property leasing. The business must have begun in 2002 or later.

Part-year residents and nonresidents. Multiply the credit allowed a full-year resident by your Oregon percentage.

How do I claim the credit?

Fill out the form *Reservation Enterprise Zone Tax Credit Worksheet*. Download the form from our website or call us. Keep the completed form with your tax records.

No carryforward. The credit may not be more than your tax liability for Oregon. Any credit not used this year is lost.

Residential energy ORS 316.116

[Credit code 729]

You can qualify for a credit on your Oregon income taxes by purchasing certain energy-efficient items.

What qualifies?

Category one alternative energy devices:

- Systems that use solar energy for space heating or cooling.
- Systems that use solar energy for water heating.
- Ground source heat pumps or geothermal systems.
- Any wind-powered device used to offset or supplement electricity.
- Equipment used in the production of alternative fuels.
- Generators powered by alternative fuels and used to produce electricity.
- An energy-efficient appliance.
- Premium efficiency wood or pellet stoves.

Category two alternative energy devices:

- Solar electric systems.
- Wind electric systems.
- Fuel cell systems.

Dishwashers, clothes washers, refrigerators, air conditioners, and boilers no longer qualify.

Who can claim the credit?

Homeowners, renters, and contract buyers who purchase qualifying devices can apply for the credit. A person who pays the present value of the tax credit to the person who purchases the device may also apply for the credit.

Part-year residents and nonresidents. Multiply the credit allowed a full-year resident by your Oregon percentage.

How much is the credit?

The tax credit is based on an estimate of how much energy the system will save in the first year. The value of the credit per kilowatt-hour (kWh) saved depends on the type of equipment or system. The maximum credit allowed for each category one device is $1,500.

The credit allowed for each **category two device** is $3 per watt of installed output, not to exceed 2,000 watts. For wind electric systems, the credit is $2 per watt up to 3,000 watts.

How to apply for the credit

Complete an *Application and Verification Form for Residential Energy Tax Credit Certification* for the system or equipment you buy. Qualifying lists of systems or equipment are on the Oregon Department of Energy website at www.oregon.gov/energy. Send the application to the Oregon Department of Energy with proof of payment. When approved, you will get certification showing your qualified tax credit.

For an application form and lists of qualifying equipment, go to www.oregon.gov/energy/ or call

503-378-4040 in Salem or toll-free from an Oregon prefix at 1-800-221-8035.

How to claim the credit

Claim the credit on your state income tax form in the tax year you purchased the device if it was operational by April 1 of the next year.

Example 1: You purchased a qualifying solar energy water heating system in December 2013 and had it installed and operating by February 2014. Claim the credit on your 2013 tax return.

Example 2: You purchased a qualifying ground source heat pump in October 2013 and had it installed and operating by May 2014. Claim the credit on your 2014 tax return. Don't claim it on your 2013 return because the pump wasn't in operation by April 1, 2014.

Keep your certification, a copy of your application, proof of payment, and any supporting documentation with your tax records. Do not include these items with your tax return.

Carryforward. The credit cannot be more than your tax liability for Oregon. You may carry forward any unused credit for up to five years. If you do not use the credit within five years, it is lost.

How does this affect property value?

The legislature provided a property tax exemption for alternative energy devices. Ask your county assessor what installation of an alternative energy device will do to the assessed value of your property.

Retirement income ORS 316.157

[Credit code 730]

Who can claim the credit?

If you were **age 62 or older** on December 31, 2013, and receiving taxable retirement income, you can qualify for this credit. Retirement income includes payments **in Oregon taxable income** from:

- State or local government public pensions.
- Employee pensions.
- Individual retirement plans.
- Employee annuity plans.
- Deferred compensation plans including defined benefits, profit sharing, and 401(k)s.
- Federal pensions (includes military) not subtracted from Oregon taxable income.

How do you qualify for the credit?

- Your household income is less than $22,500 ($45,000 if married filing jointly), **and**
- Your Social Security and/or Tier 1 Railroad Retirement Board benefits are less than $7,500 ($15,000 if married filing jointly), **and**
- Your household income plus your Social Security and Tier 1 Railroad Retirement Board benefits is less than $22,500 ($45,000 if married filing jointly).

You can claim this credit or the credit for the elderly or the disabled, but not both.

How much is the credit?

Use the following worksheet to calculate your credit:

1.	Enter the retirement income of the eligible individual(s) included on Form 40, line 8; or Form 40N or 40P Oregon column, lines 16 and 17. (Do not include social security/railroad retirement board benefits).	1. _____
2.	Enter any federal pension income subtracted from Oregon income. See page 61.	2. _____
3.	Net Oregon taxable pension. Line 1 minus line 2.	3. _____
4.	Enter $7,500 ($15,000 if married filing jointly).	4. _____
5.	Enter both spouses' total Social Security and Tier 1 Railroad Retirement Board benefits.	5. _____
6.	Line 4 minus line 5, but not less than -0-.	6. _____
7.	Enter your household income. See the next section to determine household income.	7. _____
8.	Household income base. Enter $15,000 ($30,000 if married filing a joint return).	8. _____
9.	Line 7 minus line 8, but not less than -0-.	9. _____
10.	Line 6 minus line 9, but not less than -0-.	10. _____
11.	Enter the smaller of line 3 or line 10.	11. _____
12.	Multiply line 11 by 9% (.09). This is your credit.	12. _____

No carryforward. The credit cannot be more than your tax liability for Oregon. Any credit not used this year is lost.

What's included in household income?

Household income generally includes all income (both taxable and nontaxable) each spouse received during the year. Household income includes gross income reduced by adjustments as reported in your federal adjusted gross income (AGI).

You also need to include items not in your federal AGI. These items include but are not limited to:

- Veteran's and military benefits.
- Gifts and grants (total amount minus $500).
- Disability pay.
- Nontaxable dividends (other than "return of capital").
- Inheritance.
- Insurance proceeds.
- Nontaxable interest.
- Lottery winnings.
- Railroad Retirement Board benefits (Tier 2 only).
- Scholarships.
- IRA conversions included in AGI.

See the household income checklist on pages 119-121 for more help.

Do not include:

- Social Security and Tier 1 Railroad Retirement Board benefits.
- Your state tax refund.
- Pension income excluded from federal AGI that is a return of your contributions.
- Pensions that are rolled over into an IRA that are not included in AGI.

To determine household income, you must separate income (or loss) from businesses, farms, rentals or royalties, and dispositions of tangible or intangible property. Combine all income from similar sources for net income or loss. Any net loss from the source is limited to $1,000. Net operating loss carrybacks or carryforwards are not allowed. Capital loss carryforwards are not allowed.

Example 1: Jack owns a farm and has a $4,000 loss. He is also in a partnership whose main activity is farming. Jack has income from the partnership of $1,500. His net farm loss is $2,500. He may claim only $1,000 of this loss to compute his household income. Any net loss Jack has from other sources is also limited to $1,000 each. If Jack is claiming more than a $1,000 loss on any line, he must include a worksheet showing his computations.

If the combined total of your depreciation, depletion, and amortization deductions is more than $5,000, you must add the excess back into household income. You must also increase your household income by the Oregon income tax modification for depletion in excess of basis.

Example 2: Callie has a business with gross income of $32,000 for the year. She has a $11,000 depreciation deduction. Other business expenses are $24,500. She reports a business loss for federal purposes of $3,500. She recomputes her business income for household income purposes. The allowable depreciation deduction is limited to $5,000. She reports $2,500 business income, computed as follows: $32,000 – ($5,000 + $24,500) = $2,500.

Riparian land carryforward ORS 315.113

[Credit code 735]

2011 was the last year this credit could be claimed. However, you can carry forward any unused credit for five years. The credit cannot be more than your tax liability for Oregon. If you don't use the carryforward within five years, it is lost. For more information on this credit, see the 2011 publication.

Rural emergency medical service providers ORS 315.622

[Credit code 742]

A tax credit is available for emergency medical service providers in qualifying rural areas of Oregon. The credit is based solely on determination of eligibility by the Office of Rural Health.

Who can claim the credit?

Emergency medical service providers (EMS-Ps) who provide volunteer EMS-P services in a qualifying rural area that comprise at least 20 percent of the total EMS-P services provided by the individual in the tax year. A qualifying rural area is an area in Oregon that is located at least 25 miles from any city with a population of 30,000 or more.

Part-year residents and nonresidents. If you meet the eligibility requirements, you may receive a credit. Multiply the credit by your Oregon percentage.

How much is the credit?

The credit is the lesser of $250 or your tax liability for the year. There is no carryforward of unused tax credits.

How to claim the credit

You must apply to the Office of Rural Health **each year** for confirmation of eligibility. Forms are available on their website at www.ohsu.edu/oregonruralhealth. Contact Rural Health in Portland at 503-494-4450 if you have questions or need assistance. Keep a copy of

the confirmation letter with your tax records for each year you claim the credit.

Rural health practitioners ORS 315.613

[Credit code 731]

A tax credit is available for health practitioners in certain rural areas of Oregon. The credit is based on eligibility requirements determined by the Office of Rural Health.

Who can claim the credit?

Physicians, dentists, podiatrists, optometrists, physician assistants, certified registered nurse anesthetists, and nurse practitioners can qualify for the credit. You must have a rural practice in Oregon that amounts to 60 percent or more of your business.

S corporations and partnerships do not qualify for the credit. However, shareholders and partners can get the credit on their individual Oregon income tax returns if they meet the eligibility requirements.

Part-year residents and nonresidents. If you meet the eligibility requirements, you may receive a credit. Multiply the credit by your Oregon percentage.

How much is the credit?

The credit is the least of $5,000, the amount certified by Rural Health, or your tax liability for the year. You can claim the credit as long as you have a qualifying practice. There is no carryforward of unused tax credits.

How to claim the credit

You must apply to the Office of Rural Health **each year** for confirmation of eligibility. Visit their website at www.ohsu.edu/oregonruralhealth for more information. Contact Rural Health in Portland at 503-494-4450 to request an application. Keep a copy of the confirmation letter with your tax records for each year you claim the credit.

Transportation projects ORS 315.336

[Credit code 751]

A tax credit is allowed for transportation projects certified by the Department of Energy.

What qualifies?

The transportation project must be located in Oregon and the final certification must be received from the Oregon Department of Energy.

How much is the credit?

For tax year:

2012, the credit is 25 percent of the certified cost.

2013, the credit is 20 percent of the certified cost.

2014, the credit is 15 percent of the certified cost.

2015, the credit is 10 percent of the certified cost.

There is an exception for alternative fuel vehicle infrastructure projects. The credit is limited to 35 percent of the certified costs for all applicable years.

How to apply for the credit

For an application, fee information, and assistance with the application process, contact the Oregon Department of Energy at 1-800-221-8035 (toll-free from an Oregon prefix), in Salem at 503-378-4040, or go to www.oregon.gov/energy.

How to claim the credit

Apply for a final tax credit certificate when your project is finished. Department of Energy staff will review your actual expenses and, when approved, will send you the final certificate. Keep a copy of the final certification with your Oregon tax records.

Carryforward. Your credit cannot be more than your tax liability. You can carry forward any unused credit over the next five years. If you don't use the carry forward within five years, it is lost.

Credit Transfers

The owner of the project may transfer the credit in exchange for cash payment equal to the present day value (as determined by the Department of Energy) of the tax credit. The credit may only be transferred to another personal income taxpayer, a C corporation or an S corporation. Transfer to a partnership is not allowed. The credit may only be transferred once.

University venture development fund contributions ORS 315.521

[Credit code 739]

A tax credit is available for contributions to Oregon university venture development funds.

Who can claim the credit?

Any taxpayer who makes a qualifying charitable donation to an Oregon university venture development fund is eligible for the credit.

If you claim your contribution as a deduction on your federal return, you must add back that amount to your Oregon income. You'll have an "other addition"

on your Oregon return. For more information on the addition, see page 56.

S corporations and partnerships may claim a credit for their donations.

Part-year residents and nonresidents. Multiply the allowable credit by your Oregon percentage.

How much is the credit?

The taxpayer's credit is 60 percent of the amount stated on the tax credit certificate.

The amount allowed for 2013 is the least of:

- 20 percent of the amount actually contributed to the fund,
- $50,000, or
- The tax liability of the taxpayer.

How to claim the credit

The university that established the fund will issue a tax credit certificate to you. Keep this certificate with your tax records.

Wolf depredation Chapter 65 Oregon Laws 2012

A tax credit is available if your livestock is killed during the tax year by a wolf. Livestock is defined in ORS 610.150. Examples of livestock include, but are not limited to, cattle, goats, sheep, and swine.

Who can claim the credit?

Individuals may claim a refundable tax credit and corporations a non-refundable tax credit for killed livestock.

How much is the credit?

The credit is equal to the current market value of your livestock that is killed by a wolf. You must reduce your credit by any amount that is received as compensation for the killed livestock. In order to qualify you must provide evidence to the Oregon Department of Fish and Wildlife showing that your livestock was killed due to wolf depredation.

How to claim the credit

You must obtain certification from the Oregon Department of Fish and Wildlife indicating the amount of your tax credit. The total amount of tax credits issued by the Oregon Department of Fish and Wildlife is limited to $37,500 per tax year. Certifications will be issued in the order in which completed applications are received.

Include the amount of your credit on the estimated tax payment line on your return and check the box below the line labeled "Wolf depredation."

Keep your certificate with your tax records. If you were required to reduce your credit because you were compensated for the loss of livestock, also keep a statement showing the calculation of your tax credit.

Part-year residents and Nonresidents. Multiply your credit by your Oregon percentage.

Carryforward. For Corporations the credit cannot be more than your tax liability. You can carry forward any unused credits over the next three years. If you don't use the carryforward within three years, it is lost. This credit cannot be transferred or sold.

Working Family Child Care (WFC) ORS 315.262

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

- You must be an Oregon resident with at least $8,400 of earned income, or be a nonresident with at least $8,400 of earned income from Oregon sources, and
- You have $3,300 or less of investment income (such as interest, dividends, and capital gains), and
- Your adjusted gross income is less than the limits for your household size shown on the tables on pages 122-123, and
- You paid qualifying child care expenses so you (and your spouse/RDP, if married filing jointly) could work or attend school at least part time or you are exempt from this requirement due to a qualifying disability, and
- You paid qualifying child care expenses for your qualifying child. A qualifying child is your child, step child, grandchild, step grandchild, brother, sister, stepbrother, stepsister, nephew, niece, step nephew, step niece, eligible foster child, or adopted child who:
  - — lived with you for more than half the year, and
  - — was under the age of 13, or
  - — was a child you can claim the additional child with a disability exemption credit, and
- Your child care provider was not the child's parent or guardian, or your relative or step relative under age 19.

Sometimes a child may be the qualifying child of more than one person. Although the child is the qualifying child of each of these persons, only one of them can actually treat the child as their qualifying child for WFC.

Note: If you are married/RDP filing separately, you must be legally separated or permanently living apart on December 31, 2013, to qualify.

If you qualify, you must complete one of the following:

- **Full-year resident:** Schedule WFC, *Oregon Working Family Child Care Credit for Form 40,* or
- **Part-year resident or nonresident:** Schedule WFC-N/P, *Oregon Working Family Child Care Credit for Form 40N and Form 40P filers.*

Complete all information on the schedule. Failing to include a schedule or including an incomplete schedule may result in delay or denial of your working family child care credit.

To download the schedule, go to our website, or call us to order a copy.

Qualified disabled for WFC. Do you or your spouse have a disability that severely restricts or prevents you or your spouse's ability to perform an activity of daily living (bathing, dressing, feeding, toileting, transporting, etc.)? Does the disability also prevent you or your spouse from working, going to school, **and** caring for your children? If you answered yes to both questions, you may qualify for the working family child care credit (WFC). Only one spouse can qualify for the exception. The other spouse must still work or attend school at least part time. The qualifications are not the same as the severely disabled exemption credit.

To claim the exception, the disabled taxpayer and their physician need to fill out Form WFC-DP stating that you or your spouse has a qualifying disability. Go to our website or contact us to get Form WFC-DP. This form will need to be completed and included each year that your spouse meets the exception. Once Form WFC-DP is filled out, check the box "Form WFC-DP is included" on Schedule WFC next to you or your spouse's name. Remember to include Form WFC-DP and keep a copy of the form with your tax records and with your doctor.

Example 1: Jenny and Ed are married and have three children. Jenny works full time and Ed does not work or attend school and is receiving disability for headaches. Ed does not need assistance with any of the activities of daily living. Ed's disability does not qualify for the exception. Jenny and Ed cannot claim this credit for their child care expenses.

Example 2: David and Sue are married and have two children. David works full time. Sue is unable to work because she has a brain tumor. Sue has a home care worker come to their home daily because she is unable to care for herself while David is away at work. David and Sue pay $750 a month for child care and $800 for care for Sue. Sue and her doctor completed Form WFC-DP showing that Sue has a qualifying disability. David and Sue can claim this credit for the $750 a month they paid for child care. The amount paid for Sue's care does not qualify for this credit.

Household size calculation. Household size is the number of people you claim as exemptions on your federal tax return who are related to you by blood, marriage/RDP, or adoption and live in your home. Your household size can include your child of whom you have primary custody, even if you allowed the child's other parent to claim the exemption on his or her tax return. You cannot include people you're entitled to claim on your tax return who did not live with you in your home during 2013. For this credit, an individual cannot be counted in household size on more than one return. If you are in an RDP, remember to use your "as-if" federal tax return to compute your household size.

Example 3: Rusty and Deb are not married and are the parents of two children. They maintain separate households and have joint custody of both children. The children live more than half the year with Deb. Even though they're Deb's qualifying children, she releases the dependent exemption for one child to Rusty. Deb's household size is three (herself, one dependent child whose exemption she claims, and one dependent child whose exemption is released to Rusty). Rusty cannot claim the WFC because neither of the children lived with him for more than half the year.

Example 4: Jay and Rena have three qualifying children. They also support Rena's parents who live in Mexico. They claim seven exemptions on their tax return. Jay and Rena's household size is five, because only five of them live in their home.

Qualifying child care expenses paid in 2013

Qualifying child care expenses are paid primarily so you (and your spouse/RDP) can work or attend school. You can pay your expenses with pre-tax dollars from an employer benefit plan such as a cafeteria plan or flexible spending arrangement and still qualify to claim this credit. You must pay for the child care during 2013 for the payments to be qualifying child care expenses.

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

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

- Canceled checks,
- Money order stubs,
- Duplicate checks along with bank statements, and
- Specific receipts from the child care provider.

We could ask for proof at any time while processing your tax return or any time later. If you pay a friend or relative to watch your children, you may be asked to prove you actually paid qualifying child care expenses. **Be sure to ask for a signed receipt from your child care provider when you pay for care.**

If you exchange services or goods instead of paying for the child care with cash:

- You must claim the income (the value of the child care) on your tax return before you are eligible for this credit.
- The child care provider must also claim the income (the value of the goods or services they received from you).

If you are paying a friend or relative to care for your children, you may be required to provide third-party proof that you paid for the care. Third-party proof is proof from someone not directly involved in the transaction. Common forms of third-party proof include:

- Copies of canceled checks;
- Money order stubs.

A receipt from your friend or relative does not constitute proof.

Example 5: Michelle and George are married and have two children. Michelle and George both work full time. Michelle's mother, Carol, lives with them. Michelle and George pay Carol $500 a month in cash to watch their children while they work. Michelle and George do not have proof that they paid Carol and Carol 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, Michelle and George cannot claim this credit.

Example 6: Amanda has two children and works full time. Amanda's mother, Tammy, lives in the same town and watches her grandchildren while Amanda works. She does not take care of any other children. Amanda pays Tammy $400 a month in cash. Amanda does not have further proof other than the receipts written by Tammy that she received $400 in cash at the beginning of each month. Tammy does not report this income on her tax return. Amanda cannot claim this credit because she has no proof of payment.

Example 7: Jason and Sarah are married and have two children. Jason and Sarah both work full time. Jason's mother, Cheryl, lives nearby and watches their children. Cheryl also takes care of other children in her home. Jason and Sarah pay Cheryl $750 a month by check and receive receipts from Cheryl at the time of payment. Cheryl claims all child care income on her tax return. Jason and Sarah can claim this credit because they have proof of payment to their relative.

Example 8: Candice and Doug are married and have a child. Candice works full time and Doug is in prison. Candice pays a daycare center $400 a month to watch her child. Candice and Doug cannot claim the credit because Doug is not working or going to school and does not have a qualifying disability.

Example 9: Jeff works for a company that offers dependent care benefits through a plan administrator. He takes advantage of this employer benefit and contributes $4,000 pre-tax each year to a flexible spending account (FSA) plan. Jeff gives the plan administrator the necessary documents so he can be reimbursed for his child care expenses. His employer reports $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 he was reimbursed $4,000 from his pre-tax FSA. Jeff may claim the working family child care credit based on $5,000 in qualifying child care expenses.

Example 10: Lee has a five-year-old qualifying child who attends a local academy. He pays $750 per month for his son's kindergarten and child care. Of that he pays $500 for child care and $250 for his child's education. Lee can only claim $500 per month as qualifying child care.

Example 11: Cate qualifies for state assistance in paying her child care expenses. The child care provider charges $600 per month to care for her two children. Of that, the state pays $450 and Cate has a co-pay of $150. Cate cannot claim the entire monthly amount because she did not pay it. She can only claim the amount she actually paid, $150 per month.

Qualifying child information. You must provide the following information of each qualifying child: full name, Social Security number, date of birth, his or her relationship to you, and the portion of the qualifying expenses that apply to each.

Example 12: Leona is a resident of Washington. She works in Washington and Oregon. Her federal adjusted gross income on Form 40N, line 30a is $27,100. Leona earned $8,500 from her Oregon employment and the balance from her Washington employment. She paid $4,440 to her child care provider to care for her qualifying child Jesse, age 8. Leona can claim this credit because she has at least $8,400 of earned income from Oregon sources.

Example 13: Max is a resident of Washington. He works in Washington, Idaho, and Oregon. His federal adjusted gross income on Form 40N, line 30a is $19,900. Jack earned $5,200 from his Oregon employment and the balance from his Washington and Idaho employment. He paid $3,880 to three child care

providers to care for his two qualifying children. Jack cannot claim this credit because he has less than $8,400 of earned income from Oregon sources.

Computation of credit. You must have already determined your federal adjusted gross income (AGI) to claim this credit. You'll need a copy of your federal tax return to complete your Schedule WFC, which has the worksheet and tables needed to compute your WFC credit.

To download a copy of Schedule WFC go to our website or call us to order it. Schedule WFC must be included and filed with your Oregon tax return.

Schedule WFC Relationship Codes

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

Interest on underpayment of estimated tax

Who must pay

If you were required to make estimated payments but paid less than the required amounts due by each payment date, you have an underpayment of estimated tax. Oregon charges interest on underpayment of the estimated tax due. If you owe $1,000 or more on your 2013 Oregon income tax return, you must complete Oregon Form 10, *Underpayment of Oregon Estimated Tax*.

Figure your required annual payment

The required annual payment means the total amount of required installment payments for the tax year that is the lesser of:

- 90 percent of the net tax shown on your 2013 tax return; **or**
- 100 percent of the tax shown on your 2012 Oregon return (commonly called Safe Harbor).

Figure your required installment payment

The required installment payment means the amount of the payment that is due for each payment period for the tax year using one of the following methods:

- Regular installment—an amount, in each period, equal to 25 percent of the required annual payment; **or**
- Annualized installment—the annualized amount that would be due only on the actual income earned in that period (this method may benefit taxpayers who don't receive their income evenly throughout the year or part-year residents).

The total for the required installment payments must equal the required annual payment amount.

2013 required installment due dates:

April 15, 2013
June 17, 2013
September 16, 2013
January 15, 2014

Exceptions to paying interest on an underpayment of estimated tax

If you meet an exception, you may not have to pay interest on your underpayment.

Enter the exception number on your tax return if you meet one of the following exceptions; don't use Form 10:

Exception 1—Farmers and commercial fishermen. If at least two-thirds (66.7 percent) of your 2012 or 2013 gross income is from farming or fishing, you will not have to pay underpayment interest.

Exception 2—Prior year. You do not need to pay interest on the underpayment of estimated tax if you met **all** of the following qualifications:

- You had no Oregon tax liability* for 2012, or you were not required to file an Oregon return, and
- Your taxable year was a full 12-month period, and
- You were a full-year Oregon resident for 2012.

** Your Oregon tax liability is your liability after tax credits, but before withholding and estimated tax payments.*

Exception 3—You retired at age 62 or older or became disabled in 2012 or 2013, and your underpayment was for a reasonable cause. Include a statement with your return explaining the cause to be considered for the exception.

Exception 4—Underpayment was due to a casualty, disaster, or other unusual circumstances, and it would be unfair to impose underpayment interest. Include a statement with your return explaining the unusual circumstance.*

** Unusual circumstance is not the same as reasonable cause.*

Exception 5—First year S corporation shareholders who are nonresidents or were part-year residents. No interest is due on underpayment of S corporation income as a shareholder if:

- The income is for the first year S corporation status is elected, **and**
- You're a nonresident for 2013, **or**
- You were a part-year resident for 2012.

Keep a copy of your exception explanation with your tax records.

Estimated tax

Who must pay

Oregon law requires some taxpayers to pay estimated tax. Oregon's estimated tax system is similar to the federal system, but when you figure estimated tax for Oregon:

- Use Oregon income tax laws and tax rates.
- Do not include Social Security tax (FICA), self-employment tax, or household employment tax.

In most cases, you must make estimated tax payments if you expect to owe **$1,000** or more when you file your 2014 Oregon income tax return. That's tax you owe after you subtract your credits and the tax withheld from your income, but before you subtract any 2013 refund you applied to your 2014 estimated tax.

Pay estimated tax for tax year 2014 if:

You expect to owe **$1,000** or more when you file your 2014 Oregon income tax return, **and** you estimate the total income tax withholding will be less than:

- 100 percent of the tax shown on your 2013 income tax return that covered all 12 months of the year, or
- 90 percent of the tax to be shown on your 2014 income tax return, or
- 90 percent of the tax on your 2014 annualized income.

Even if you expect to owe less than $1,000, you may still make estimated tax payments.

For more information on how to figure your estimated payments and how to obtain payment vouchers, please visit our website or call us.

Note: Estimated tax payments are not a substitute for withholding Oregon income tax from wage income.

Farmers and commercial fishermen

Farmers and fishermen are not required to pay estimated tax if at least two-thirds of their 2013 gross income or two-thirds of their 2014 estimated gross income from all sources is from farming or fishing. This includes oyster farming. Enter Exception #1 on your tax return. Don't use Form 10.

Nonresidents and part-year residents

Nonresidents figure Oregon estimated tax only on income that is:

- Subject to Oregon withholding, or
- From conducting a trade or business within Oregon.
- Single ticket Oregon lottery winnings greater than $600.

S corporation, limited liability company (LLC), or partnership income

If you're a shareholder in an S corporation, a member of an LLC, or in a partnership with income from Oregon sources, you may need to make estimated tax payments.

Part-year residents. For the part of the year you were a nonresident, you are subject to Oregon tax on your share of the Oregon income reported by the S corporation, LLC, or partnership. Partners must also report guaranteed payments. For the part of the year you were a resident, you're subject to Oregon tax on your share of all the S corporation, LLC, or partnership income.

Nonresidents. You're subject to Oregon tax on your share of the Oregon income reported by the S corporation, LLC, or partnership. You're also subject to Oregon tax on any guaranteed payments from the partnership. The payments are apportioned using the partnership's percentage.

Retirees

If you're retired or will soon retire, you may need to make estimated tax payments. Or, you may be able to have Oregon income tax withheld from your retirement income. Contact the payer of the income to see if this is possible.

Retirees who are Oregon residents but not living in Oregon may be subject to tax on their Oregon-source pensions. This law applies to retirees who still have Oregon as their domicile but file as nonresidents.

Nonresident aliens

Estimated tax filing requirements are the same for both United States citizens and nonresident aliens. Nonresident aliens can be either Oregon residents or nonresidents. If you or your spouse/RDP are a nonresident alien, you must file separate estimated tax forms.

Fiduciaries

Do not file Form 40-ESV. You do not need to pay estimated tax on behalf of an estate or trust.

Oregon's Elderly Rental Assistance program (ERA)

ORS 310.630–310.706

Elderly Rental Assistance is for low-income people who rent their home and are age 58 or older on December 31, 2013. **Your household income must be less than $10,000 to qualify for this program.** The property you rent must be subject to property tax. If not, you're not eligible for ERA.

You must file Form 90R to get an ERA check. The payment is based on your income, assets, and the amount of rent, fuel, and utilities you paid.

Go to our website to download the complete ERA instructions and Form 90R, or call us.

Important information

The ERA filing deadline. The deadline for filing your 2013 ERA claim (Form 90R) is July 1, 2014.

If you file Form 90R after July 1, 2014, your claim will be processed the following year. Your ERA check also will be issued the following year—in mid-November 2015.

Qualifications

You must meet **all** of the following requirements:

- You or your spouse/RDP was age 58 or older on December 31, 2013, and
- Your total household income was less than $10,000, and
- You paid more than 20 percent of your household income for rent, fuel, and utilities, and
- If you and your spouse/RDP are under 65, the value of your household assets is not more than $25,000. If you or your spouse/RDP are age 65 or older, there is no limit on the value of your household assets, and
- You paid rent in Oregon in 2013, and
- The property you rented was subject to property tax, and
- You lived in Oregon on December 31, 2013, and
- You didn't own your residence and land on December 31, 2013. You did not have to be renting on that date to qualify for a rent refund. But you cannot claim an ERA refund if you owned your home and land on December 31, 2013.

Interest on Elderly Rental Assistance (ERA) payments you must repay

If you amend your Form 90R, *Oregon Elderly Rental Assistance,* and the correct amount of assistance is less than you have already received, the department will calculate your reduced benefit and interest due and send you a bill. Interest on ERA checks is figured from the date the check was issued to the date you repay it.

Year Being Amended	Interest Starting Date
2010	November 9, 2011
2011	November 14 , 2012
2012	November 13, 2013

False ERA form—class C felony

If you file a false Elderly Rental Assistance (ERA) Form 90R, you could be charged with a class C felony. You could be fined up to $125,000, serve a jail sentence, or both. In addition, you would have to pay back twice the amount of the assistance check you received plus interest.

Appendix

Contents

2013 Household Income Checklist
2013 Working Family Child Care Credit Tables
2013 Standard Numeric Codes for Oregon Other Additions, Subtractions, Deductions, Modifications, and Credits

Household income checklist

Use this list to decide if an item must be included in total household income.

Alimony and separate maintenance	Yes	
Annuities and pensions (reduced by cost recovery)	Yes	
Business income (reduced by expenses) (losses limited to $1,000)	Yes	
Cafeteria plan benefits		No
Capital loss carryover		No
Capital losses (in year determined) (losses limited to $1,000)	Yes	
Child support	Yes	
Child support included in public assistance	Yes	
Clergy's rental or housing allowance, in excess of expenses claimed to determine federal AGI	Yes	
Compensation for services performed		
Back pay	Yes	
Bonuses	Yes	
Clergy's fees	Yes	
Commissions	Yes	
Director's fees	Yes	
Fees in general (trustee, executor, jury duty)	Yes	
Lodging for convenience of employer		No
Meals for convenience of employer		No
Salaries	Yes	
Severance pay	Yes	
Tips	Yes	
Wages	Yes	
Deferred compensation		
Contributions made		No
Payments received	Yes	
Depletion in excess of basis	Yes	
Depreciation, depletion, and amortization in excess of $5,000	Yes	
Disability income (entire amount)	Yes	
Dividends, taxable and nontaxable	Yes	
Credit union savings account "dividends" (interest)	Yes	
Insurance policy "dividends" (return of premium)		No
Return of capital dividends		No
Stock dividends	Yes	
Tax-exempt dividends	Yes	
Earned income credit, advanced		No
Estate and trust income (also see Inheritance) (losses limited to $1,000)	Yes	
Farm income (reduced by expenses) (losses limited to $1,000)	Yes	
Agricultural program payments	Yes	
Patronage dividends	Yes	
Proceeds from sale of crops and livestock	Yes	
Rents	Yes	
Sale of services	Yes	
Fellowships	Yes	
Foreign income excluded from federal AGI	Yes	
Foster child care (reduced by expenses)		No
Funeral expenses received		No
Gains on sales (receipts less cost)	Yes	
Excluded gain for Oregon on sale of residence		No
Gambling winnings (without reduction for losses)	Yes	
Gifts and grants (totaling more than $500 in value)	Yes	
Cash	Yes	
Gifts from nonspouse/non-RDP in the same household	Yes	
Gifts from spouse/RDP in the same household		No
Gifts other than cash (report at fair market value)	Yes	
Payment of indebtedness by another person	Yes	
Grants and payments by foreign governments not included in federal AGI	Yes	
Grants by federal government for rehabilitation of home		No
Gratuities	Yes	
Hobby income	Yes	
Honorariums	Yes	
Individual Retirement Arrangement (IRA)		
Conventional IRA		
Payments received	Yes	
Payments contributed		No
Rollovers or conversions not included in AGI		No
Rollovers or conversion included in AGI	Yes	
Roth IRA		

Payments received		No
Payments contributed	Yes	
Rollovers or conversions not included in AGI		No
Rollovers or conversion included in AGI	Yes	
Inheritance	Yes	
From spouse/RDP who resided in the same household		No
Insurance proceeds		
Accident and health	Yes	
Disability payments	Yes	
Employee death benefits	Yes	
Life insurance	Yes	
Personal injury damages (less attorney fees)	Yes	
Property damage if included in federal income	Yes	
Reimbursement of medical expense		No
Sick pay (employer sickness and injury pay)	Yes	
Strike benefits	Yes	
Unemployment compensation	Yes	
Workers' compensation	Yes	
Interest, taxable and nontaxable	Yes	
Contracts	Yes	
Municipal bonds and other securities	Yes	
Savings accounts	Yes	
Tax-exempt interest	Yes	
U.S. Savings Bonds	Yes	
Losses on sales (to extent used in determining AGI) (losses limited to $1,000)	Yes	
From sales of real or personal property (nonbusiness)		No
Lottery winnings	Yes	
Lump-sum distribution (less cost recovery)	Yes	
Military and veteran's benefits (taxable and nontaxable)		
Combat pay	Yes	
Disability pensions	Yes	
Educational benefits (GI Bill)	Yes	
Family allowances	Yes	
Pensions	Yes	
Net operating loss carryback and carryover		No
Partnership income (reduced by expenses) (losses limited to $1,000)	Yes	
Parsonage (rental value) or housing allowance in excess of expenses used in determining federal AGI	Yes	
Pensions and annuities (taxable and nontaxable) (reduced by cost recovered in the current year)	Yes	
Prizes and awards	Yes	
Public assistance benefits	Yes	
Aid to blind and disabled	Yes	
Child care payments	Yes	
Child support included in public assistance	Yes	
Direct payments to nursing home		No
Food stamps (or cash payments in lieu of food stamps)		No
Fuel assistance		No
In-home services approved by the Department of Human Services		No
Medical mileage reimbursements	Yes	
Medical payments to doctors		No
Oregon Supplemental Income Program (OSIP)	Yes	
Payments for medical care, drugs, medical supplies, and services for which no direct payment is received		No
Reimbursements of expenses paid or incurred by participants in work or training programs		No
Special Shelter Allowance		No
Surplus food		No
Temporary assistance to needy families	Yes	
Women, Infants, and Children program (WIC)		No
Railroad Retirement Board benefits	Yes	
Refunds		
Earned income credit		No
Federal tax		No
Property tax		No
Oregon income tax		No
Other states' income tax (if included in federal AGI)	Yes	
Prior-year rental assistance payment		No
Reimbursements (in excess of expenses)	Yes	
Rental allowances paid to ministers not included in federal AGI	Yes	
Rental and royalty income (reduced by expenses) (losses limited to $1,000)	Yes	
Residence sales (see gains on sales)	Yes	
Retirement benefits (see pensions and Social Security)		
Scholarships (excess over $500)	Yes	
Sick pay	Yes	

Social Security (taxable and nontaxable)	Yes	
Children's benefits paid to parent	Yes	
Children's benefits paid to your child		No
Disability pension	Yes	
Medicare payments of medical expenses		No
Medicare premiums deducted from Social Security	Yes	
Old-age benefits	Yes	
Social Security Disability Insurance (SSDI)	Yes	
Supplemental Security Income (SSI)	Yes	
Survivor benefits	Yes	
Stipends (excess over $500)	Yes	
Strike benefits	Yes	
Support from parents who don't live in your household	Yes	
Trust income	Yes	
Unemployment compensation	Yes	
Wages	Yes	

Working family child care credit—2013 tables

If your household size is not listed below, contact the department for the tables you need.

Table 1, household size = 1

If the amount on Schedule WFC, line 15 is: at least:	but not more than:	Enter this decimal amount on Schedule WFC, line 17:
—	$23,000	0.40
$23,001	24,150	0.36
24,151	25,300	0.32
25,301	26,450	0.24
26,451	27,600	0.16
27,601	28,750	0.08
28,751	—	0.00

Table 2, household size = 2

If the amount on Schedule WFC, line 15 is: at least:	but not more than:	Enter this decimal amount on Schedule WFC, line 17:
—	$31,000	0.40
$31,001	32,550	0.36
32,551	34,100	0.32
34,101	35,650	0.24
35,651	37,200	0.16
37,201	38,800	0.08
38,801	—	0.00

Table 3, household size = 3

If the amount on Schedule WFC, line 15 is: at least:	but not more than:	Enter this decimal amount on Schedule WFC, line 17:
—	$39,050	0.40
$39,051	41,000	0.36
41,001	42,950	0.32
42,951	44,900	0.24
44,901	46,850	0.16
46,851	48,850	0.08
48,851	—	0.00

Table 4, household size = 4

If the amount on Schedule WFC, line 15 is: at least:	but not more than:	Enter this decimal amount on Schedule WFC, line 17:
—	$47,100	0.40
$47,101	49,450	0.36
49,451	51,800	0.32
51,801	54,150	0.24
54,151	56,500	0.16
56,501	58,900	0.08
58,901	—	0.00

Table 5, household size = 5

If the amount on Schedule WFC, line 15 is: at least:	but not more than:	Enter this decimal amount on Schedule WFC, line 17:
—	$55,150	0.40
$55,151	57,900	0.36
57,901	60,650	0.32
60,651	63,400	0.24
63,401	66,150	0.16
66,151	68,950	0.08
68,951	—	0.00

Table 6, household size = 6

If the amount on Schedule WFC, line 15 is: at least:	but not more than:	Enter this decimal amount on Schedule WFC, line 17:
—	$63,200	0.40
$63,201	66,350	0.36
66,351	69,500	0.32
69,501	72,650	0.24
72,651	75,800	0.16
75,801	79,000	0.08
79,001	—	0.00

Table 7, household size = 7

If the amount on Schedule WFC, line 15 is: at least:	but not more than:	Enter this decimal amount on Schedule WFC, line 17:
—	$71,200	0.40
$71,201	74,800	0.36
74,801	78,350	0.32
78,351	81,900	0.24
81,901	85,450	0.16
85,451	89,050	0.08
89,051	—	0.00

Table 8, household size = 8

If the amount on Schedule WFC, line 15 is: at least:	but not more than:	Enter this decimal amount on Schedule WFC, line 17:
—	$79,250	0.40
$79,251	83,200	0.36
83,201	87,200	0.32
87,201	91,150	0.24
91,151	95,100	0.16
95,101	99,100	0.08
99,101	—	0.00

Schedule WFC relationship codes

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

Working family child care credit—2013 tables

If your household size is not listed below, contact the department for the tables you need.

Table 9, household size = 9		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but not more than:	
—	$87,300	0.40
$87,301	91,650	0.36
91,651	96,050	0.32
96,051	100,400	0.24
100,401	104,750	0.16
104,751	109,150	0.08
109,151	—	0.00

Table 10, household size = 10		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but not more than:	
—	$95,350	0.40
$95,351	100,100	0.36
100,101	104,850	0.32
104,851	109,650	0.24
109,651	114,400	0.16
114,401	119,200	0.08
119,201	—	0.00

Table 11, household size = 11		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but not more than:	
—	$103,400	0.40
$103,401	108,550	0.36
108,551	113,700	0.32
113,701	118,900	0.24
118,901	124,050	0.16
124,051	129,250	0.08
129,251	—	0.00

Table 12, household size = 12		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but not more than:	
—	$111,400	0.40
$111,401	117,000	0.36
117,001	122,550	0.32
122,551	128,150	0.24
128,151	133,700	0.16
133,701	139,300	0.08
139,301	—	0.00

Table 13, household size = 13		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but not more than:	
—	$119,450	0.40
$119,451	125,450	0.36
125,451	131,400	0.32
131,401	137,400	0.24
137,401	143,350	0.16
143,351	149,350	0.08
149,351	—	0.00

Table 14, household size = 14		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but not more than:	
—	$127,500	0.40
$127,501	133,900	0.36
133,901	140,250	0.32
140,251	146,650	0.24
146,651	153,000	0.16
153,001	159,400	0.08
159,401	—	0.00

Table 15, household size = 15		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but not more than:	
—	$135,550	0.40
$135,551	142,300	0.36
142,301	149,100	0.32
149,101	155,850	0.24
155,851	162,650	0.16
162,651	169,450	0.08
169,451	—	0.00

Table 16, household size = 16		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but not more than:	
—	$143,600	0.40
$143,601	150,750	0.36
150,751	157,950	0.32
157,951	165,100	0.24
165,101	172,300	0.16
172,301	179,500	0.08
179,501	—	0.00

Standard numeric codes for Oregon other additions, subtractions, deductions, modifications, and credits

Numeric codes are required when a taxpayer is claiming or reporting one of the following items and the line is not preprinted on the Oregon form. If you have multiple items that use the same code, add them together and enter as a single item. If you have more than one code for each category (federal adjustment to income, other addition, other subtraction, other deduction and modification, or other credit), please fill out and include Schedule OR-ASC or OR-ASC-N/P.

Federal adjustments to income—Forms 40N and 40P only	**Code**
Certain business expenses of reservists, performing artists, and fee-basis government officials	002
Domestic production activities deduction	006
Health savings account deduction	003
Other adjustment to income reported on federal Form 1040, line 36	005
Penalty on early withdrawal of savings	004

Additions—Forms 40, 40N, and 40P only	**Code**
529 Oregon College Savings Plan non-qualified withdrawal	117
Basis adjustments	101
• Basis of business assets transferred to Oregon	
• Depletion in excess of property basis	
• Depreciation difference for Oregon	
• Federal depreciation disconnect	
• Gain or loss on the sale of depreciable property with different basis for Oregon	
• Passive activity losses	
• Suspended losses	
Business credit—unused	122
Business deduction add back for Oregon credits	104
• Income taxes paid to another state (individual and business)	
• Self-employed long-term care insurance deduction (business)	
Claim of right income repayments	103
Disposition of inherited Oregon farmland or forestland	106
Domestic production activities deduction	102
Federal election on interest and dividends of a minor child (Form 40 only)	107
Federal estate tax on income in respect of a decedent (Form 40 only)	100
Federal income tax refunds (Form 40 only)	109
Fiduciary adjustments	100
• Accumulation distribution from a trust	
• Fiduciary adjustments from Oregon estates and trusts	
Individual Development Account (IDA)	113
• Non-qualified withdrawal	
• Add back for IDA donation credit (Form 40 only)	
Itemized deduction add back for Oregon credits (Form 40 only)	104
• Contributions to Alternative Fuel Vehicle Fund	
• Contributions to Child Care Fund	
• Contributions to Oregon Cultural Trust	
• Contributions to Oregon Production Investment Fund	
• Contributions to Renewable energy Development Fund	
• Contributions to University Venture Fund	
• Long-term care insurance premiums	
• Taxes paid to another state (individual and business)	
Net operating loss non-Oregon source	116
Oregon deferral of reinvested capital gain	118
Partnership and S corporation modifications for Oregon	119
Prescription drug plan subsidies	123
Schedule A deduction add back for Oregon subtractions (Form 40 only)	105

- Gambling losses claimed as an itemized deduction
- Oregon only Schedule A items
- Refund of Oregon only Schedule A items from a prior year

Specially taxed income under federal law 115
- Lump-sum distributions from a qualified retirement plan
- Passive foreign investment company income

Subtractions—Form 40 only **Code**

Artist's charitable contribution 301
Federal income tax from a prior year 309
Foreign tax 311
Mortgage interest credit 320

Subtractions—Forms 40N and 40P only **Code**

Composite return, income from a 341
Federal pension income 307
Interest and dividends on U.S. bonds and notes 315
Oregon income tax refund 325

Subtractions—Forms 40, 40N, and 40P only **Code**

American Indian 300
Basis adjustments 304
- Depreciation difference for Oregon
- Gain or loss on the sale of depreciable property with a different basis for Oregon
- Passive activity losses
- Suspended losses
- Basis of business assets transferred to Oregon

Capital Construction Fund (CCF) 339
Construction worker and logger commuting expenses 303
DISC dividend payments 352
Discharge of indebtedness 350
Federal business and health coverage credits 340
Federal education credits (Tuition and fees deduction) 308
Federal gain previously taxed by Oregon 306
Fiduciary adjustments from Oregon estates and trusts 310
Film production labor rebate—Greenlight Oregon Labor Rebate Fund 336
Individual Development Account (IDA) 314
Interest from state and local government bonds 317
Land donation to educational institutions 316
Legislative Assembly salary and expenses 335
Military active duty 319
Mobile home park capital gain 338
Mobile home tenant payment 344
Net operating loss 321
Oregon 529 college savings network 324
Oregon Investment Advantage 342
Oregon lottery winnings 322
Partnership and S corporation modifications for Oregon 323
Previously taxed employee retirement plans 327
Previously taxed IRA conversions 348
Public Safety Memorial Fund award 329
Railroad Retirement Board benefits: Tier 2, windfall/vested dual, supplemental, and railroad unemployment benefits (Form RRB-1099-R) 330
Scholarship awards used for housing expenses 333
Severance pay investments 349

Special Oregon medical 351
Taxable benefits for former RDPs 347
U.S. government interest in IRA or Keogh distributions 331

Deductions and Modifications—Forms 40N and 40P only **Code**

Artist's charitable contribution 600
Federal estate tax on income in respect of a decedent 605
Federal health coverage credit 609
Federal income tax refunds 601
Federal tax from a prior year 602
Foreign tax 603
Gambling losses claimed as an itemized deduction 604
Itemized deduction add back for Oregon credits 608

- Contributions to Alternative Fuel Vehicle Fund
- Contributions to Child Care Fund
- Contributions to Oregon Cultural Trust
- Contributions to Oregon Production Investment Fund
- Contributions to Renewable energy Development Fund
- Contributions to University Venture Fund
- Long-term care insurance premiums
- Individual development accounts (form 40P & 40N only)

Mortgage interest credit deduction 607

Credits **Code**

** Prorated for Forms 40N and 40P*

Alternative fuel vehicle auction 753
Agricultural workforce housing 712
Biomass production/collection* 743
Business energy 703
Business tax credits from flow-through entity 736
Child and dependent care (Form 40N only) 745
Child and dependent care carryforward 704
Child Care Fund contributions 705
Crop donation carryforward* 708
Diesel engine replacement, repower, or retrofit carryforward* 734
Elderly or disabled* (Forms 40N and 40P only) 709
Electronic commerce zone investment* 710
Employer-provided dependent care assistance 707
Employer scholarship* 711
Energy Conservation Project 750
Fish screening devices* 714
Individual Development Account (IDA) donation 715
Individual Development Account withdrawal for home purchase 738
Involuntary move of a mobile home—non-refundable (for mobile homes moved in 2006 only) 741
Long-term care insurance premiums* 716
Loss of use of limbs 717
Low-income caregiver credit for home care of a low-income person age 60 or older 718
Mutually taxed gain on the sale of residential property 720
Oregon Cultural Trust contributions* 722
Oregon Production Investment Fund 737
Oregon Veterans' Home physicians* 747
Political contributions (Forms 40N and 40P only) 723
Pollution control facilities 724
Reforestation of underproductive forestlands carryforward 727
Renewable energy development contributions 749

Renewable energy resource equipment manufacturing facility 748
Reservation enterprise zone* 728
Residential energy* 729
Retirement income (Forms 40N and 40P only) 730
Riparian land carryforward* 735
Rural emergency medical technicians* 742
Rural health practitioners* 731
Transportation projects 751
University venture fund* 739

Index

Symbols

2-D barcode filing 14

A

Abusive Tax Avoidance Transactions 13
Accumulation distribution from a trust—addition 49
Additions
Accumulation distribution from a trust 49
Agricultural workforce housing 89
Basis of business assets transferred into Oregon 79
Child care fund contributions 49
Depletion 49
Depreciation and amortization 78
Disposition of inherited Oregon farmland or forestland 50
Federal depreciation disconnect 78
Federal election on interest and dividends of a minor child 50
Federal estate tax 51
Federal health coverage tax credit 63
Federal income tax refunds 51
Fiduciary adjustment 80
Gambling losses claimed as an itemized deduction 52
Income taxes paid to another state 52
Interest and dividends on government bonds of other states 53
Long-term care insurance premiums, federal deduction 53
Lump-sum distributions 54
Oregon 529 College Savings Network 55
Oregon Cultural Trust contributions 55
Oregon production investment fund 55
Partnership and S corporation modifications for Oregon 79
Passive activity losses 81
Renewable energy development contributions 55
Sale of assets 80
Self-employed health insurance deduction 55
University venture development fun contributions 56
Unused business credits 56
Addresses 133
Adjustments to income
Certain business expense of reservists 45
Education 45
Health Savings Account deduction 45
Interest penalty on early withdrawal of savings 46
IRA or self-employed SEP and SIMPLE contributions 46
Performing artists 47
Self-employed health insurance 47
Self-employment tax 47
Student loan interest 47
Air carrier employees 38
Alimony received 38
Amended returns 13
American Indian—subtraction 57
Amtrak Act 40
Appeal procedures 28
Deficiency based on federal audit reports or audit reports of other states 31
Interest on underpayment of estimated tax 32
Notice of Assessment 29
Notice of Deficiency 29
Notice of Determination and Assessment 36
Notice of refund adjustment 30
Penalty or interest 32
Appendix 118
Artist's charitable contribution—subtraction 57
Audit
Types of audits 34
What to do if audited 34

B

Basis of business assets transferred into Oregon 79
Biomass production/collection 90
Bona fide residence test 18
Bond interest 53, 64, 65
Business energy—credit 91
Business expense of reservists 45
Business income or loss 39
Business tax credits from flow-through entity 79

C

Capital Construction Fund 58
Capital gain 39, 54, 86
Certain business expense of reservists 45
Child and dependent care—credit 91
Child Care Fund contributions
Addition 49
Credit 92
Claim of right income repayments 49
Community property income 38
Commuting expenses, construction worker/logger 58
Composite tax returns 28
Subtraction 63
Construction worker/logger commuting expenses—subtraction 58
Conversions and exchanged property—subtraction 59
Credits
Agricultural workforce housing 89
Alternative Fuel Vehicle Fund 90
Biomass production/collection 90
Business energy 91
Child and dependent care 91
Child Care Fund contribution 92
Crop donation carryforward 93
Diesel engine replacement carryforward 93
Earned income 93
Elderly or disabled 93
Electronic commerce zone investment 94
Employer provided dependent care assistance 94
Employer scholarship 95
Energy conservation project credit 95
Exemption 96
Fish screening devices 97
Income taxes paid to another state 97
Long-term care insurance premiums 101
Loss of use of limbs 101
Low-income caregiver credit (for home care of a low-income person age 60 or older) 102
Mobile home park closure 102
Mutually taxed gain on the sale of residential property 103
Oregon Cultural Trust contributions 103

Oregon low income community jobs initiative 103
Oregon Production Investment Fund 104
Political contributions 104
Pollution control facilities 105
Reforestation carryforward 106
Renewable energy development contributions (auction) 106
Renewable energy resource equipment manufacturing facility 106
Reservation enterprise zone 107
Residential energy 107
Retirement income 108
Riparian land carryforward 109
Rural emergency medical technicians 109
Rural health practitioners 110
Transportation projects 110
University venture development fund 110
Wolf depredation 111
Working family child care 111
Crop donation—carryforward 93

D

Dam workers; hydroelectric 39
Decedent, income in respect of 51
Deductions and modifications 83
Federal health coverage tax credit 63
Itemized deductions 83
Standard deduction 85
Age 65 or older, blind 85
Nonresident aliens 86
Single dependents 85
State income tax claimed as an itemized deduction 83
Deficiency notice—appeal procedures 29
Dependent 23, 85, 96
Depletion—addition 49
Depreciation and amortization 78
Diesel engine replacement carryforward—credit 93
Direct deposit 15
DISC dividend payments 59
Discharge of indebtedness from reacquisition of debt instrument 50
Disposition of inherited Oregon farmland or forestland—addition 50
Dividend income 39, 64
Domicile 17

E

Earned income—credit 93
Education 45
Elderly or disabled—credit 93
Elderly Rental Assistance (ERA) 117
Elderly Rental Assistance Program (ERA)
Household income checklist 119
Electronic commerce zone investment—credit 94
Electronic filing 14
Employee retirement plans, previously taxed—subtraction 68
Employer provided dependent care assistance—credits 94
Assistance 94
Information and referral service 94
Employer scholarship—credit 95
Energy credit
Business 91
Conservation project 95
Renewable energy development contribution 106
Residential 107
Transportation project 110
ERA (Elderly Rental Assistance) 117
Estimated tax 116
Farmers and commercial fishermen 116
Fiduciaries 116
Nonresident aliens 116
Nonresidents and part-year residents 116
Retirees 116
Exempt income
Air carrier employees 38
Amtrak Act 40
Hydroelectric dam workers 39
Railroad Retirement Board benefits 43
Social Security 43
Waterway workers 44
Exemption—credit 96
Extensions of time to file 13

F

Farmers and commercial fishers—estimated tax 116
Farm income 42
Farm income averaging 87
Farm liquidation long-term capital gain tax rate 86
Federal depreciation disconnect 78
Federal election on interest and dividends of a minor child—addition 50
Federal estate tax—addition 51
Federal health coverage tax credit 63
Federal income tax refunds—addition 51
Federal income tax—subtraction 59
Additional tax paid 60
Amended returns—how to report 60
Current year 59
Federal law connection 8
Federal pension income 61
Federal return 37
Federal tax credits—subtraction 63
Federal tax law 8
Fee-basis government officials 45
Fiduciaries—estimated tax 116
Fiduciary adjustment 80
Filing requirements
Dependents 23
Full-year residents 22
Nonresidents 24
Part-year residents 24
Filing status 19
Filing your return after tax has been assessed 35
Fish screening devices—credit 97
Foreign nonresidents 17
Bona fide residence test 18
Physical presence test 17
Foreign tax—subtraction 63

G

Gain, loss, and distributions 39
Gain on the sale of an Oregon residence 80
Gambling losses claimed as an itemized deduction—addition 52

H

Health savings account deduction 45
Household income checklist 119
Household income defined 109
Housing expenses, scholarships used for—subtraction 69
Hydroelectric dam workers 39

I

Income
Air carrier employees 38
Alimony received 38
Amtrak Act 40
Business income or loss 39
Gain, loss, and distributions 39
Hydroelectric dam workers 39
Interest and dividend income 39
IRA distributions 42
Like-kind exchange or conversions of property 42
Railroad Retirement Board benefits 43
Rents, royalties, partnerships, estates, trusts, farms, etc. 42
Retirement income 42
Salaries 43
Social Security 43
State and local income tax refunds 43
Unemployment compensation 43
Wages 43
Waterway workers 44
Income averaging, Farm 87
Income from a composite return—subtraction 63
Income taxes paid to another state—credit 97
Income tax refund, Oregon—subtraction 67
Individual Development Accounts
Addition 82
Credit 82
Subtraction 82
Individual Taxpayer Identification Number 24
Inherited farmland/forestland—addition 50
Farm-use value 50
Forest-use value 50
Injured spouse/RDP refund claims 14
Interest 10
Deficiencies and delinquencies 11
Elderly Rental Assistance (ERA) payments 117
Refunds for personal income tax 11
Tax 10
Two-tiered 11
Interest/dividends on government bonds of other states—addition 53
Interest/dividends on U.S. bonds/notes—subtraction
Obligations qualifying 64
Interest income 39, 53, 64
Interest on certain installment sales 86
Interest penalty on early withdrawal of savings 46
Interstate Transportation Wages 40
Involuntary conversions 42
Involuntary move of a mobile home carryforward 101
IRA conversions, previously taxed—subtraction 68
IRA distributions 42
IRA or self-employed SEP and SIMPLE contributions 46
Itemized deductions 83
ITIN 24

L

Land donations to educational institutions carryforward—subtraction 65
Like-kind exchange or conversions of property 42
Limited liability companies 28
Listserv, practitioner 4
Local government bond interest—subtraction 65
Long-term care insurance premiums—credit 101
Long-term care insurance premiums, federal deduction—addition 53
Business expense deduction 54
Loss of use of limbs—credit 101
Lottery winnings—subtraction 65
Low-income caregiver—credit 102
Lump-sum distributions—addition
Capital gains income 54
Ordinary income 54

M

Mailing addresses 133
Married filers with different residency statuses, special instructions 21
Medical practitioners, rural—credit 110
Medical subtraction, special Oregon 69
Military pay 26
Military personnel 24
Minor child, federal election on interest and dividends 50
Minor child's return 8
Mobile home park capital gain exclusion 66
Mobile home park closure 102
Mobile home park payments 66
Mortgage interest credit—subtraction 66
Moving expense 46
Mutually taxed gain on the sale of residential property—credit 103

N

National Guard and armed forces reserves
See also Military 24
Net operating losses (NOLs) 75
Net Oregon itemized deduction 85
Nonresidents
Married filers with different residency statuses 21
Residency 18

O

Oregon 529 College Savings Network
Addition, non-qualified withdrawal 55
Direct deposit of refund 15
Subtraction 66
Oregon Cultural Trust contributions
Addition 55
Credit 103
Oregon income tax refund—subtraction 67
Oregon investment advantage—subtraction 67
Oregon low income community jobs initiative—credit 103

Oregon National Guard—subtraction 26
Oregon percentage 82
Oregon Production Investment Fund (auction)
Addition 55
Credit 104
Oregon tax 86
Farm income averaging 87
Farm liquidation long-term capital gain tax rate 86
Interest on certain installment sales 86
Payment options 15
Oregon Veterans' Home—credit 104

P

Partnership and S corporation modifications for Oregon 79
Partnership income 42
Part-year residents
Form 40P 19
Married filers with different residency statuses 21
Residency 18
Passive activity losses 81
Computation of Oregon losses 81
Modifications to federal losses for Oregon 81
Pass-through entity owner payments 28
Payment options 15
Penalty
Failure-to-file 12
Failure-to-pay 12
False ERA form 117
Fraud 12
Frivolous return 12
Post amnesty penalty 12
Substantial understatement of income 12
Three consecutive years (100% failure-to-file) 12
Performing artists 47
Physical presence test 17
Political contributions—credit 104
Pollution control facilities—credit 105
Practitioners
E-mail 4
"Revenews" listserv 4
Telephone line 4
Previously taxed employee retirement plans—subtraction 68
Previously taxed IRA conversions—subtraction 68
Prohibited amounts 75
Public Safety Memorial Fund Awards—subtraction 68

R

Railroad Retirement Board benefits—subtraction 69
Real estate tax payments 28
Record-keeping requirements 33
Reforestation—carryforward 106
Refunds
Delays 16
Minimum 8
When to expect my refund 16
Registered domestic partner
RDP 18, 21
Renewable energy development contribution (auction)
Addition 55
Credit 106
Renewable energy resource equipment manufacturing facility—credit 106
Rent income 42
Rents, royalties, partnerships, estates, trusts, farms, etc. 42
Reservation enterprise zone—credit 107
Residency 16
Domicile 17
Residential energy—credit 107
Residential property, mutually taxed gain on the sale of 103
Retirement income 42
Retirement income—credit 108
Revenews practitioner listserv 4
Riparian land—carryforward 109
Royalty income 42
Rural emergency medical technicians 109
Rural health practitioners—credit 110

S

Salary income 43
Sale of assets 80
Scholarships used for housing expenses—subtraction 69
Self-employed health insurance deduction 47
Self-employment tax 47
Severance pay 69
Social Security and Railroad Retirement Board 43
Social Security benefits—subtraction 69
Special Oregon medical—subtraction 69
Standard deduction 21, 85
Nonresident aliens 86
Short-period return 86
Standard numeric codes for other Oregon additions, subtractions, deductions, modifications, and credits 124
State and local income tax refunds 43
Statute of limitations
Amended returns 10
Federal corrections or other state corrections 10
Net operating loss carryback 10
refunds 11
Student loan interest 47
Subtractions
American Indian 57
Artist's charitable contribution 57
Construction worker and logger commuting expenses 58
Conversions and exchanged property 59
Depreciation and amortization 78
DISC dividend payments 59
Federal income tax 59
Federal pension income 61
Federal tax credits 63
Fiduciary adjustment 80
Foreign tax 63
Income from a composite return 63
Individual Development Accounts 82
Interest and dividends on U.S. bonds and notes 64
Land donations to educational institutions carryforward 65
Local government bond interest 65
Lottery winnings 65

Mobile home park capital gain exclusion 66
Mobile home park payments 66
Mortgage interest credit subtraction 66
Oregon 529 College Savings Network 66
Oregon income tax refund 67
Oregon Investment Advantage 67
Oregon National Guard 26
Passive activity losses 81
Previously taxed employee retirement plans 68
Previously taxed IRA conversions 68
Public Safety Memorial Fund awards 68
Railroad Retirement Board benefits 69
Scholarships used for housing expenses 69
Severance pay 69
Social Security benefits 69
Special Oregon medical 69
Taxable benefits for former RDPs 73
Tuition and fees 73
U.S. government interest in IRA or Keogh distribution 74

T

Taxable benefits for former RDPs 73
Tax benefit doctrine 51
Taxes, income, paid to another state — credit 97
Tax, Oregon
Farm income averaging 87
Farm liquidation long-term capital gain tax rate 86
General 86
Interest on certain installment sales 86
Payment options 15
Transportation projects—credit 110
Trust income 42
Tuition and fees 47, 73

U

Underpayment of estimated tax, interest on 115
Exceptions 115
Unemployment compensation 43
University venture development fund contributions
Addition 56
Credit 110
Unused business credits—addition 56
U.S. bonds and notes, interest on 64
U.S. government interest in IRA or Keogh distribution—subtraction 74

W

Wage income 43
Waterway workers 44
Wolf depredation 111
Working family child care—credit 111

Important mailing addresses

If you are responding to a specific notice or letter, please use the address and contact information listed on that correspondence. Send all returns and forms to the address listed on it or its instructions

Physical address:
Oregon Department of Revenue
955 Center Street NE
Salem OR 97301-2555

Forms and publications requests:
Forms
Oregon Department of Revenue
PO Box 14999
Salem OR 97309-0990

Federal ITIN information:
Oregon Department of Revenue
PO Box 14999
Salem OR 97309-0990

Tax Information Authorization and Power of Attorney for Representation form:
Oregon Department of Revenue
955 Center Street NE
Salem OR 97301-2555
Fax: 503-945-8735

Elderly rental assistance returns:
Oregon Department of Revenue
PO Box 14700
Salem OR 97309-0930

Return after tax has been assessed:
Oregon Department of Revenue
PO Box 14600
Salem Oregon 97309-5049

Injured spouse/RDP refund requests

If your spouse's debt is owed to another state agency:
Attention: Other Agency Accounts
Oregon Department of Revenue
955 Center Street NE
Salem OR 97301-2555

If your spouse's debt is Oregon state tax:
Oregon Department of Revenue
955 Center Street NE
Salem OR 97301-2555

Written objections, conference requests, and requests for interest or penalty adjustments:
Oregon Department of Revenue
PO Box 14725
Salem OR 97309-5018

Appeals to the Oregon tax court:
Oregon Tax Court
Magistrate Division
1163 State Street
Salem OR 97301-2563

Appeals of interest on underpayment of tax:
UND Team
Oregon Department of Revenue
PO Box 14725
Salem OR 97309-5018

Miscellaneous Oregon Income Tax Information for Tax Years 2010–2013

(Refer to prior year tax booklets before filing delinquent or amended returns)

Tax year	**2010**	**2011**	**2012**	**2013**
Return due date (Calendar year filer)	4/18/11	4/17/12	4/15/13	4/15/14

Exemption amounts $177–$58 $179–$59 $183–$60 $188–or $0

If federal AGI is more than the lowest amount below for your filing status, see the exemption credit worksheet for 2010–2012, for 2013 exemption is $0.

Single	$167,100–$249,600	$169,550–$252,050	$173,650–$256,150	$100,000
Married/RDP filing jointly qualifying widow(er)	$250,650–$333,150	$254,350–$336,850	$260,500–$343,000	$200,000
Married/RDP filing separately	$125,300–$166,550	$127,150–$168,400	$130,250–$171,500	$100,000
Head of household	$208,850–$291,350	$211,950–$294,450	$217,100–$299,600	$200,000

Standard deduction

Single (can be claimed on another's return)	$950*	$950*	$950*	$1,000**
Single	$1,950	$1,980	$2,025	$2,080
Married/RDP filing jointly qualifying widow(er)	$3,900	$3,960	$4,055	$4,160
Married/RDP filing separately	$1,950†	$1,980†	$2,025†	$2,080†
Head of household	$3,140	$3,185	$3,265	$3,345

Federal tax subtraction maximum	$5,850–$0‡	$5,950– $0‡	$6,100–$0‡	$6,250-$0‡

Oregon 529 Plan Contribution Maximum

Joint	$4,180	$4,240	$4,345	$4,455
All others	$2,090	$2,120	$2,170	$2,225

Marginal tax rates

Single	5%	First $3,050	First $3,100	First $3,150	First $3,250
Married/RDP filing separately	7%	$3,051-$7,650	$3,101-$7,750	$3,151-$7,950	$3,251-$8,150
	9%	$7,651-$125,000	$7,751-$125,000	$7,951-$125,000	$8,151-$125,000
	9.9%	n/a	n/a	Over $125,000	Over $125,000
	10.8%	$125,001-$250,000	$125,001-$250,000	n/a	n/a
	11%	Over $250,000	Over $250,000	n/a	n/a
Married/RDP filing jointly	5%	First $6,100	First $6,200	First $6,300	First $6,500
Head of household	7%	$6,101-$15,300	$6,201-$15,500	$6,301-$15,900	$6,501-$16,300
Qualifying widow(er)	9%	$15,301-$250,000	$15,501-$250,000	$15,901-$250,000	$16,301-$250,000
	9.9%	n/a	n/a	Over $250,000	Over $250,000
	10.8%	$250,001-$500,000	$250,000-$500,000	n/a	n/a
	11%	Over $500,000	Over $500,000	n/a	n/a

** Greater of amount shown or earned income plus $300, but not more than the standard deduction for a single filer.*
*** Greater of amount shown or earned income plus $350, but not more than the standard deduction for a single filer.*
† If your spouse/RDP itemizes deductions, your standard deduction is $0.
‡ If federal AGI is $125,000 or greater, the federal tax subtraction is limited. Use the federal tax subtraction worksheet.